

**THE IMPACT OF MULTIPLE PRICING STRATEGIES ON CONSUMER  
PURCHASING BEHAVIOR: THE CASE OF AIRTEL AND TIGO  
TANZANIA**

**MARECHA EDWARD**

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REQUIREMENTS OF THE MASTER DEGREE IN BUSINESS  
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**2013**

## **CERTIFICATION**

‘I have gone through this dissertation and I certify that it is in form acceptable for examination according to the Open University of Tanzania regulations’.

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(Supervisor)

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## **ABSTRACT**

Multiple pricing strategies have grown to be the major pricing strategy practiced by major telecom operators in Tanzania. The study is on the impact of multiple pricing strategies to consumers purchasing behavior and looking at the role of this strategy to company performance. Tigo and Airtel Tanzania were used as a case study. Various literatures were consulted to get the theoretical and empirical thoughts of prominent authors about the subject to help the researcher craft and refine his methodology. Questionnaires and documentation were the key methods of data collection supported by interviews. Both primary and secondary data were collected and were analyzed using qualitative and quantitative techniques.

The findings shows that both operators do not actually plan the pricing strategy to deploy but they just react from the market force. The finding prove a significant impact of the practiced multiple pricing strategy to on consumer behavior where during the initial stage the strategy show a positive impact to consumer and company performance. Looking at the year 2007, which was mainly the beginning of this strategy, Tigo increase customer base by almost 127%, this was a remarkable performance. However, as the time goes consumer create a strong onnet community as a family and friends, the evidence to this is the decline in offnet traffic contribution from 31% in 2006 to only 4% in 2011. This has results into revenue decline in among the operators. The researcher recommends that this strategy can only be used as a short-term strategy for quick results or it should be supported by other pricing strategies or consumer loyalty schemes for long-term results.

## TABLE OF CONTENTS

<b>CERTIFICATION</b> .....	<b>ii</b>
<b>COPYRIGHT</b> .....	<b>iii</b>
<b>DECLARATION</b> .....	<b>iv</b>
<b>ACKNOWLEDGMENTS</b> .....	<b>v</b>
<b>ABSTRACT</b> .....	<b>vi</b>
<b>LIST OF TABLES</b> .....	<b>xiii</b>
<b>LIST OF FIGURES</b> .....	<b>xiv</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>xv</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>1.0 INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Problem .....	1
1.2 Statement of the Problem .....	3
1.3 Objective of the Study .....	4
1.3.1 General Objective .....	4
1.3.2 Specific Objectives .....	4
1.4 Research Questions .....	5
1.4.1 General Research Question .....	5
1.4.2 Specific Research Questions .....	5
1.5 Significance of the Research .....	5
1.6 Scope of the Study .....	6
1.7 Organization of dissertation .....	6

<b>CHAPTER TWO .....</b>	<b>7</b>
<b>2.0 LITERATURE REVIEW .....</b>	<b>7</b>
2.1 Introduction .....	7
2.2 Conceptual Definitions.....	7
2.2.1 Multiple Pricing .....	7
2.2.2 Consumers Behavior .....	8
2.2.3 Consumer Choice .....	8
2.2.4 Corporate Performance .....	8
2.2.5 Consumer Calling Pattern .....	9
2.3 Theoretical Literature Review.....	9
2.3.1 Approaches to Pricing of Services .....	9
2.3.2 Customer Definition of Value and Specific Pricing Strategies.....	9
2.3.2.1 Value is Low Price .....	10
2.3.2.2 Value is Everything I want in Service.....	10
2.3.2.3 Value is the Quality I get for the Price I pay.....	10
2.3.2.4 Value is all That I get for all That I give.....	10
2.3.3 Customer Knowledge of Service Prices.....	10
2.3.4 Service Quality.....	13
2.3.5 Product Quality and Purchase Decisions .....	15
2.3.6 Consumer Choice .....	17
2.3.7 Behavioral Issues .....	18
2.3.8 Competition.....	21
2.3.9 Promotion.....	22
2.4 Empirical Literature Review .....	23



2.4.1	Access to Comparable Information on Prices .....	23
2.4.2	Price Comparisons in the Mobile Market .....	24
2.4.3	Improving Access to Price Comparison Information.....	25
2.4.3.1	The EC Suggested Changes that Would .....	26
2.4.4	Comparing Quality of Service .....	27
2.4.5	Influences on Switching in Telecommunications Markets .....	27
2.4.6	Consumer Behavior in Telecommunication Markets .....	28
2.5	Research Gap .....	29
2.6	Conceptual Framework .....	31
2.7	Theoretical Framework .....	32
<b>CHAPTER THREE .....</b>		<b>33</b>
<b>3.0 RESEARCH METHODOLOGY .....</b>		<b>33</b>
3.1	Introduction .....	33
3.2	Research Design.....	33
3.3	Area of the Study .....	33
3.4	Population and Sample Size.....	34
3.4.1	Sampling Technique.....	34
3.4.1.1	Simple Random Sampling.....	34
3.4.1.2	Purposive/Judgmental Sampling .....	34
3.4.2	Sample Size/Study Population .....	35
3.5	Data Collection Methods.....	35
3.6	Data Collection Tools .....	35
3.6.1	Questionnaires.....	35
3.6.2	Documentation .....	36

3.7	Data Analysis .....	36
<b>CHAPTER FOUR.....</b>		<b>37</b>
<b>4.0 DATA ANALYSIS AND INTERPRETATION.....</b>		<b>37</b>
4.1	Introduction .....	37
4.1.1	An Overview of the Field Responses and Observation .....	37
4.1.2	The Aspect of Pricing Strategies as Viewed by Operators and Consumers .....	37
4.4	Respond Awareness on Tariff.....	40
4.5	Source of Tariff Information.....	41
4.6	Airtel and Tigo Key Tariff .....	42
4.6.1	Airtel Key Voice Tariff Since 2007 .....	42
4.6.2	Tigo key Voice Tariff Since 2007.....	42
4.7	Airtel and Tigo Weighted Tariff Trend.....	43
4.7.1	Offnet Tariff Trend .....	44
4.7.2	Onnet Tariff Trend .....	45
4.7.2.1	Multiple Pricing in Onnet Dynamics .....	47
4.7.2.2	Existing Duration Based Multiple Pricing Rooted on Onnet.....	48
4.7.3	Pricing on International Calls.....	49
4.8	Key Drivers to Purchase a Particular Operator .....	50
4.8.1	Key Drivers to Purchase Among Multisimmers .....	50
4.8.2	New Customers Drivers to Purchase.....	50
4.8.3	Trends on the Key Purchasing Drivers Over Time .....	51
4.8.4	Multiple pricing and Consumer Pricing Perception.....	52
4.8.5	Satisfaction Based on Other Drivers .....	53
4.8.5.1	Satisfaction and Purchasing Behavior.....	55

4.9	Change in Calling Pattern .....	56
4.9.1	Parameters Respondents Consider Before Making a Call .....	56
4.9.2	Time of the Day Respondents Make Most of their Call .....	57
4.9.3	Who do you Call Most of the Time .....	57
4.9.4	Tanzania Mobile Market Onnet and Offnet Traffic Ratio .....	58
4.9.5	Tanzania Mobile Market ARPU and MOU .....	59
4.9.6	Airtel Peak Shift.....	60
4.10	The Role of Multiple Pricing in Organization Performance .....	61
4.10.1	Tigo and Airtel Customer Evolution.....	61
4.10.2	Airtel and Tigo Customer Market Share Evolution .....	62
4.10.3	Airtel and Tigo Revenue .....	63
<b>CHAPTER FIVE .....</b>		<b>65</b>
<b>5.0 CONCLUSION AND RECOMMENDATIONS.....</b>		<b>65</b>
5.1	Introduction .....	65
5.2	Summary of the Major Findings .....	65
5.3	Conclusion.....	66
5.4	Recommendations .....	67
5.4.1	Operators Needs to Have Clear Pricing Strategies .....	67
5.4.2	Operators Needs to Create a New Competitive Platform .....	67
5.4.3	Tigo Recommendations .....	67
5.4.4	Airtel Recommendations.....	68
5.5	Implication of the Findings .....	68
5.5.1	Managerial Implications.....	68
5.5.2	Consumer Implications .....	69

5.5	Research Limitations.....	69
5.6	Recommendations for Further Studies.....	70
	<b>REFERENCES.....</b>	<b>71</b>
	<b>APPENDICES .....</b>	<b>73</b>

## LIST OF TABLES

Table 1.1: Glide Path for Cost-Based Interconnection Rates (US\$ Cents). .....	3
Table 4.1: Respondent's Age on Network.....	39
Table 4.2: Source of Tariff Information .....	41
Table 4.3: Airtel Key Voice Tariff Since 2007.....	42
Table 4.4: Tigo Key Voice Tariff Since 2007 .....	43
Table 4.5: Weighted Airtel and Tigo Offnet Tariff Trend.....	44
Table 4.6: Weighted Airtel and Tigo Onnet Tariff Trend .....	45
Table 4.7: Tigo and Airtel Multiple Pricing Time Bands.....	48
Table 4.8: Tigo and Airtel International Call Tariff .....	49
Table 4.9: Key Drive to Connect Among Multisimmers.....	50
Table 4.10: New Customer's Driver to Purchase .....	51
Table 4.11: Key Driver's Consumer's Use During Purchase Decision.....	51
Table 4.12: Tigo Customer Satisfaction on the Key Drivers to Purchase .....	53
Table 4.13: Airtel Customer Satisfaction on the Key Drivers to Purchase .....	54
Table 4.14: Parameters Respondents Consider Before Making a Call .....	56
Table 4.15: Time of the day to Make More Call .....	57
Table 4.16: More Call Destination.....	57
Table 4.17: Onnet and Offnet Traffic Contribution Trend .....	58
Table 4.18: Relationships between ARPU and MOU .....	59
Table 4.19: Customer Evolution.....	61
Table 4.20: Market Share Evolution.....	62

## LIST OF FIGURES

Figure 4.1: Respondents Sample Distribution .....	38
Figure 4.2: Respondents Age on Network.....	39
Figure 4.3: Respondents Tariff Awareness.....	40
Figure 4.4: Weighted Airtel and Tigo Offnet Tariff Trend .....	44
Figure 4.5: Weighted Airtel and Tigo Onnet Tariff Trend .....	45
Figure 4.6: Tigo and Airtel International Call Tariff.....	49
Figure 4.7: Customer Satisfaction Index Pricing and Affordability .....	52
Figure 4.8: Tigo Satisfaction on other Business Parameters .....	54
Figure 4.9: Airtel Satisfaction on Other Business Parameters.....	55
Figure 4.10: Mobile Market Onnet and Offnet Traffic Ratio .....	58
Figure 4.12: Airtel Peak Shift .....	60
Figure 4.13: Airtel and Tigo Customer Evolution .....	62
Figure 4.14: Airtel and Tigo Customer Market Share Evolution .....	63
Figure 4.15: Airtel and Tigo Revenue Trends .....	63
Figure 4.16: Airtel and Tigo ARPU Trends.....	64

## LIST OF ABBREVIATIONS

ACMA	:	Australian Communications and Media Authority
ARPU	:	Average revenue per user
BOL	:	Benson on Line
CCK	:	Communication commission of Kenya
EC	:	European Commission
FCC	:	Federal Communications Commission
MOU	:	Minutes of Usage
NRA	:	National Regulatory Authority
OECD	:	Organization of Economic Cooperation and Development;
OFCOM	:	Office of Communications
OFFNET	:	Tariffs applied by operators for calls made to other operator's network
ONNET	:	Tariffs applied for calls made on operator's own network
TCRA	:	Tanzania Communications Regulatory Authority
TTCL	:	Tanzania Telecommunications Company Limited
UCC	:	Uganda Communication commission.
UK	:	United Kingdom
Zantel	:	Zanzibar Telecommunications Limited

## **CHAPTER ONE**

### **1.0 INTRODUCTION**

#### **1.1 Background of the Problem**

Starting on early 2000s Tanzania marked a growth in telecommunications industry where majority of companies were licensed to provide telecom services in the country. Currently Tanzania has nine licensed operators. The Tanzania Telecommunications Company Limited (TTCL) and Zanzibar Telecom Limited (Zantel) have both fixed and mobile networks while operators with mobile networks only are Tigo, Airtel, Vodacom, SasaTel, Benson OnLine (BOL), Smile Communications and Hits Tanzania. For some reasons the last two are still not in full operation. According to the Tanzania Communications Regulatory Authority (TCRA) statistics the fixed line subscription has remained extremely low, with only around 300,000 lines installed while the mobile network has grew up to 20 million as at December 2011.

As a strategy to grow and survive in the market almost all telecom mobile operators in the country are consistently coming out with innovative offers as well as competitive prices, this has resulted to consumers changing behaviors over time and in turn affecting operators performance. Around 2003 to 2007 the mobile telecom market in Tanzania was mainly dominated by Vodacom, as the market leader followed by Celtel (Now Airtel) The market was not as competitive as it is today because the two operators considered themselves as the giants in the market. During this period, pricing was mainly done to create more profit to operators. Starting from 2008, the market starts to witness some major tariff intervention especially from



Tigo. Since then tariff and discount schemes are growing to be a common phenomena in the country and as a result, multisim has been growing. Most of the discount is done for onnet calls/services and consumers are forced to multisim to avoid offnet calls/services, which are expensive. Convenience in network coverage and reliability has also been mentioned as a reason for multisim.

As it was early mentioned, over the years, the pricing structure for the mobile voice services were said to be higher and unaffordable thus arousing complaints among consumers. High tariffs especially for offnet calls were also attributed by higher interconnection rates between network operators. So for operators to get their margins they had to set their price above the interconnection rates, and almost all the operators were charging very high compared to the market interconnect rate. In an attempt to harmonize the situation, TCRA made two Interconnection Determinations in 2004 (Determination No.1 of 2004) and 2007 (Determination No.2 of 2007) which directed operators to apply cost based interconnection rates which were derived through a consulting work of Analysis Consulting of United Kingdom. The decision by the Regulator emanated resulted from failure by operators to agree on fair and cost based interconnects rates. Under Determination No.1 of 2004, Interconnection rates were reduced from USD 25 cents to USD 10 cents and Determination No. 2 of 2007 set a glide path for interconnection rates to be paid by interconnecting operators from the year 2007 to 2012.

Despite the intervention made by TCRA on reducing interconnection rates with a view to reduce mobile and fixed voice call charges, there were no significant

changes on tariffs until the year 2008 when market competition grew and operators started offering different tariff structures aimed at attracting new customers and retaining new ones. Currently Tanzania telecom market is considered a price sensitive and that is why majority of operators have opted for multiple pricing as a strategy. This study will be looking at multiple pricing as a strategy and the way it has impact consumer behavior.

**Table 1.1: Glide Path for Cost-Based Interconnection Rates (US\$ Cents).**

	1 <sup>st</sup> Jan 2008	1 <sup>st</sup> Jan 2009	1 <sup>st</sup> Jan 2010	1 <sup>st</sup> Jan 2011	1 <sup>st</sup> Jan 2012
Voice Call Termination rates	7.83	7.65	7.49	7.32	7.16

Source: TCRA, <http://www.tcra.go.tz>

## **1.2 Statement of the Problem**

In Tanzania majority of the mobile telecom service providers are currently using price to manage demand by capitalizing on customer's sensitive to price. Considering this there have been regular changes on pricing either through introducing new price schemes, adjusting the existing components of their tariff structure, or withdrawal of various discount schemes and service packages. This wide range of frequent tariffs and discount schemes make it difficult for consumers to calculate which tariff, from which operator, would give the best deal in terms of value for money because it interfere the whole process in which consumers choose and evaluate services and in turn affect consumer behavior. Pricing parameters that are highly affected in this includes;

- i. Onnet call discount
- ii. Peak/off-peak rates

- iii. Volume discounts/
- iv. Cheaper calls as calls get longer
- v. Flat-rate calls
- vi. Unlimited calls.

Multiple pricing as a strategy cannot be directly concluded as the only reason for the changes in consumers behavior seen in the Tanzanian market over time, And thus the aim of this study was to assess the impact of multiple pricing to the change in consumers behavior especially when it come to consumers choice to a particular operator and in turn how does this changes is reflected in operators performance.

### **1.3 Objective of the Study**

#### **1.3.1 General Objective**

The general objective of this study was to assess impact of multiple pricing strategies to consumer purchasing behavior and how these changes are reflected in operator's performance

#### **1.3.2 Specific Objectives**

- i. To highlight the major trends of pricing strategies in Tanzania telecom market.
- ii. Assess the trends in the key drivers for consumers to choose specific operator.
- iii. Asses the changes in consumer calling pattern over time as a result multiple pricing.
- iv. To examine the role of pricing strategies in mobile operators growth/degrowth. (Customers, revenue and market share.)

## **1.4 Research Questions**

In order to accomplish the above objective, the study was set out to answer some fundamental questions, answers of which had a significant contribution to the data collection, analysis and interpretation process. Moreover, these questions were carefully designed to provide answers consistent to the overall objective of the study.

### **1.4.1 General Research Question**

How multiple pricing strategies impact changes in consumers' purchasing behavior of the mobile network service provider.

### **1.4.2 Specific Research Questions**

- (i) What are the major pricing strategies that that has ever existed in the market?
- (ii) What are the key drivers used by consumers to choose among operators and what are the changes in these drivers over time.
- (iii) What are the major changes in consumers calling patterns?
- (iv) To what extent do the pricing strategies affect the corporate performance?

## **1.5 Significance of the Research**

Considering the price war that has been in Tanzania telecommunication market over time, the market has been so competitive and as a result, some operators are growing, some have been faced off the market and for some new operators it has been difficult to penetrate. The findings from this study of multiple pricing will help firms and organizations improve their marketing strategies by understanding issues such as:

- (i) The role played by multiple pricing on consumers behaviors that in turn have positive or negative effect to operator?
- (ii) Pricing sensitivity phenomena in Tanzania telecom market.

### **1.6 Scope of the Study**

This study intended to identify major pricing strategies in the Tanzania telecom market, and looking at how this strategy affects the consumer purchasing behavior whether positively or negatively.

### **1.7 Organization of dissertation**

Five chapters have been included in this study. Chapter one mainly includes an overview of the study giving historical background, highlighting the key objectives and showing the problem statement. Chapter two includes Literature review, which highlight the literature that has been written related to the study. Chapter three shows the research methodology, sampling design and techniques. Data collection and analysis method have also been covered in this chapter. Chapter four covers data analysis, presentation and discussion of research findings. A detail conclusion and recommendation is covered in chapter five.

## **CHAPTER TWO**

### **2.0 LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter aims to give a detailed theoretical background laid down by different authors on the overall aspect of the selected study area. In order to generate research ideas as well as focusing on the research objectives and research questions. Its ultimate goal is to bring the reader up to date with current literature on a topic and conveys to the reader what knowledge, ideas have been established on the topic, what are their strengths, and weaknesses are. The chapter also reviews relevant literatures, which are related to the study. The process involves reviewing various scholarly works relevant to the problem under investigation and within the framework of the theory structure. It contains the conceptual framework and conceptual definitions as well as empirical literature.

#### **2.2 Conceptual Definitions**

##### **2.2.1 Multiple Pricing**

Is a difference in the prices of two products/services or of the same product/services in different places. (Valarie and Dwayne 2008). or Method in which a product/service has different prices based on the type of customer, quantity ordered, delivery time, payment terms, etc. as an incentive multiple pricing lowers prices for new or existing clients in the hope of encouraging them to be regular users or more frequent user. Some companies stimulate use by offering regular customers discounts or premiums during slow period. (Valarie and Dwayne 2008).

### **2.2.2 Consumers Behavior**

Is a study of when, why, how and where people do or do not buy a product/service. It attempts to understand the buyer decision-making process both individually and in groups. (Valarie and Dwayne 2008).

### **2.2.3 Consumer Choice**

Consumer choice is a theory of microeconomics that relates preferences for consumption goods and services to consumption expenditures. The link between personal preferences, consumption, and the demand curve is one of the most closely studied relations in economics. Consumer choice theory is a way of analyzing how consumers may achieve equilibrium between preferences and expenditures by maximizing utility as subject to consumer budget constraints. ([http://en.wikipedia.org/wiki/Consumer\\_choice](http://en.wikipedia.org/wiki/Consumer_choice)).

### **2.2.4 Corporate Performance**

Given the multiple aims and multiple potential users of performance evidence, controversy can arise from the outset over how to define 'performance'. Much of the literature implies that performance is an objective phenomenon. (Maital 2004) writes that, 'Performance is what those people centrally involved in and concerned about an organization agrees, implicitly and explicitly, to be performance (Basing on the organization's corporate strategy, value drivers, organizational objectives and the competitive environment, Defining performance in this way, of course, detracts from the claim that performance measurement systems provide objective, reliable and scientifically valid evidence about what works and what doesn't in the Organization.

### **2.2.5 Consumer Calling Pattern**

Consumer calling pattern refer to ways in which consumer distribute their time spent on call, where and who do you call and well as call duration. It includes whether to call onnet or offnet, time of the day to make a call, who to call etc. (Manroe 2003)

## **2.3 Theoretical Literature Review**

### **2.3.1 Approaches to Pricing of Services**

According to (Valarie and Dwayne 2008), There are three major pillars in which service pricing can be derived; Below is the brief discussion in each;

- (a) Cost based pricing: In this approach, company determines expenses from raw materials, labor, adds amounts or percentages for overhead and profit, and thereby arrives at the price. The basic formula for the cost based pricing is :  
$$\text{Price} = \text{Direct cost} + \text{Overhead cost} + \text{Profit Margin}$$
- (b) Competition based pricing: This approach focuses on the prices charged by other firms in the same industry or market. It does not imply charging the identical rate other charge but rather using other prices as an anchor for the firm's price.
- (c) Demand based pricing: In this approach the pricing is done consistently with customer perception of value, Price are based on what customers will pay for the services provided.

### **2.3.2 Customer Definition of Value and Specific Pricing Strategies**

When consumers discuss value, they use the term in many different ways and talk about various attributes or components and what constitutes value even in a single service category, appears to be highly personal. (Valarie and Dwayne 2008). Below



are the definition and respective pricing strategies;

#### **2.3.2.1 Value is Low Price**

This is when monetary price is most important determinate of value to customers. Appropriate pricing strategies in this category include; Discounting, Odd pricing, Multiple pricing and Penetrating pricing.

#### **2.3.2.2 Value is Everything I want in Service**

This is when customers emphasize more on the benefit they get out of the service or product as the most important component of value. Price is far less important than quality. Appropriate pricing strategies include Prestige and skimming pricing.

#### **2.3.2.3 Value is the Quality I get for the Price I pay**

This is when a customer primarily considers both quality and monetary price. Appropriate pricing strategies includes Value pricing and Market segmentation pricing.

#### **2.3.2.4 Value is all That I get for all That I give**

This is when customers define value as including not just the benefits but also the time, money and effort customers put into the service. Appropriate pricing strategies include Price framing, Price bundling, Complimentary Pricing and Result based pricing.

### **2.3.3 Customer Knowledge of Service Prices**

A larger literature however, has analyzed the widespread potential for consumers to select a non-cost minimizing option from a menu of tariffs offered by the same firm.

Agarwal et al (2006), for example, suggest that over 40% of consumers selected the more expensive tariff when offered the option of two credit card contracts in a market experiment by a US bank, while Lambrecht and Skiera (2006) use data from a German internet provider to estimate that around a third of consumers chose a more expensive fixed rate tariff, and over half of these paid more than double the cheapest alternative. The proposed explanations for such choices fall into three broad categories. First, consumers may show a preference tariff structures, such as flat-rate fees (Lambrecht and Skiera 2006).

We find no support for such an explanation, as the gains from switching are largely unrelated to any associated change in tariff structure. Second, in comparing tariffs, consumers may weight inappropriately the various components of a tariff or price, such as the introductory rate, shipping charge or state-tax rate (e.g. Ausubel 1999, Hossain and Morgan 2006, Ellison and Ellison 2006, respectively). Third, consumers may evaluate alternative suppliers' tariffs using an incorrect prediction of their own future consumption (Martins 1994). This explanation may appear unconvincing as all results are derived from consumers' own (expenditure) beliefs and remain robust across consumption variations of plus and minus ten percent.

Highlighted by the recent widespread allegations about such practices within the industry, one plausible explanation of the results concerns the pressurizing or misleading influence of suppliers' sales activities.( Martins 1994) However we find that the accuracy of consumers' choices are not significantly related to the self-reported influence of a sales agent; nor does an increased number of regional

competitors, which might result in increased sales activity, consistently reduce the accuracy of decisions. Instead, the paper concludes that consumers' switching inaccuracy is consistent with pure decision error. (Rabin 1993).

Majority of consumers depends on the reference price to decide on the best alternative among a wide range of services. A reference price is a price point in memory for a good or service, and can consist of price last paid, the price frequent paid or the average of all prices consumer have paid for similar offering. (Valarie and Dwayne 2008). In majority of services, consumers fail to establish accurate reference price because they feel overwhelmed with information they need to gather. In addition, consumers can be disadvantaged and suffer detriment when information is withheld or when there is deception in the information provided.

Where consumers have too little information or too much information of inconsistent quality, various types of detriment can arise, including:

- i. Consumers failing to participate in the market at all, because they have limited awareness of the products and services on offer, or conversely because they are confused by an excess of available information (sometimes referred to as "information overload")
- ii. Consumers paying too much
- iii. Consumers not buying the product or service that best meets their needs
- iv. Consumer disappointment with the product or service, because it turns out to lack the expected level of quality (Ofcom, 2006a)

### **2.3.4 Service Quality**

In the previous marketing literature, it was prevalently acknowledged that consumers frequently use price as a proxy for product quality. For example, Kanuth (1949) documented that a hosiery retailer experienced a ‘significant’ positive sales response after the price had increased from \$1.00 to \$1.14, implying that the higher price ‘suggested a higher value’. In the economics literature (Maital 2004), and the emerging empirical research on marketing and consumer behavior (McConnell, 1968; Gardner, 1971; Monroe, 1973), it becomes apparent that consumers frequently use price as a proxy for product quality. Based on an integrative review of more than forty empirical studies, the evidence for a robust (though moderate) price-perceived quality effect appeared to be unquestionable by the end of 1980s (Rao & Monroe, 1989).

In particular, consumers prefer service quality when the price and other cost elements are held constant (Boyer and Hult, 2005). It has become a distinct and important aspect of the product and service offering (Wal et al., 2002). According to Leisen and Vance (2001), service quality helps to create the necessary competitive advantage by being an effective differentiating factor. Service quality was initiated in the 1980s as the worldwide trend when marketers realized that only a quality product could not guaranteed to maintain competitive advantage (Wal et al., 2002). Competitive advantage is a value-creating strategy, simultaneously which is not implemented by any existing or potential competitors (Barney, 1991). Moreover, according to them, a competitive advantage also sustained when other companies are unable to duplicate the benefits of this strategy.

Service quality is essential and important for a telecommunication service provider to ensure the quality service for establishing and maintaining loyal and profitable customer (Zeithaml, 2000; Leisen and Vance, 2001). Conversely, Johnson and Sirikit (2002) stated that service delivery systems have the ability to allow managers of company to identify the real customer feedback and satisfaction on their telecommunication service. Since, quality reflects the customers' expectations about a product or service.

Lovelock (1996) stated that this customer driven quality replaced the traditional marketing philosophies, which was based on products and process. Service quality is different from the quality of goods. Since, services are intangible, perishable, produced and consumed simultaneously and heterogeneous (Zeithaml and Bitner, 2000). Therefore, it is a major problem for the telecommunication service providers, especially for the mobile telecommunication service providers to deliver quality service consistently. According to Wang and Lo (2002) in marketing and economics quality often depends on the level of product attributes. They also mentioned that there are two primary dimensions for quality in operation management. At first, fitness of use, which refers to product or services that is supposed to do and possess features to meet the customer needs. Another one is reliability, which represents the product that is free from deficiencies. Accordingly, it is important for a company to understand how customers perceive their service quality.

Consequently, Rust and Oliver (1994) pointed out that companies need to measure consumers' satisfaction with their products and services. Generally, service and product quality is in the mind of the consumer. So, it is necessary for the mobile

telecommunication service provider to talk with the consumers for measuring quality. Since, quality reflects the extent to which a product or service meets or exceeds consumers' expectations (Wal et al., 2002). Wang and Lo (2002) studied on comprehensive integrated framework for service quality, customer value, and customer satisfaction and behavior intentions of customers in China's mobile phone sector. In this study, they conceptualized factors with service quality as antecedents to customers' overall evaluation of service quality rather than dimensions or components of the construct. Herein, they found that the competition between two mobile phone service provider is more intense than ever. This competition is not only in network quality by a large amount of investment in network extension and upgrading but also in customer retention and acquisition by direct and indirect price reduction.

### **2.3.5 Product Quality and Purchase Decisions**

Consumer's perception of product quality is always an important aspect of a purchasing decision and in market behavior. Since, consumers regularly face the task of estimating product quality under conditions of imperfect knowledge about the underlying attributes of the various product offers with the aid of personal, self-perceived quality criteria (Bedeian, 1971 adapted by Sjolander, 1992). According to Sjolander (1992), the consumer behavior in modern market is different from the theoretical case of consumer decision making in free markets. Generally, free and competitive markets are composed of buyers and sellers each of whom possesses: Perfect information about all possible products and their respective utilities; A well defined and explicit set of performances; The ability to determine optimal

combination of various products given their budget constraints; A knowledge of prices, which does not affect the subjective wants or satisfactions of the consumer. (Monroe and Petroschius, 1973 adapted by Sjolander, 1992).

In fact, it is necessary to define quality before it can be measured. Although, there is no global definition of quality exists (Sebastianelli and Tamimi, 2002). It can be defined in a variety of ways. Yoon and Kijewski (1997) pointed out that quality can be categorized into two perspectives. One is the marketer's perspective, which is typically product-based or manufacturing-based and another one is consumer's perspective, which is typically user-based or value-based.

Generally, product quality from the marketer's perspective is associated with specific feature, function or performance of a product. On the other hand, product quality from the consumer's perspective is associated with the capacity of a product to satisfy consumer needs (Archibald et al., 1983). According to Lambert (1980) consumers often attribute quality to branded products on the basis of price, brand reputation, store image, market share, product features and country of manufacture.

So, price is an indicator to measure the product quality, which is based on the theory that quality is a measure of the utility, or the want-satisfying capacity of products (Sjolander, 1992). He also added that the more quality a product possesses the more utility it contains, and the higher price it will obtain in an open market exchange. That means similar products offered to the market at different price, contain different amounts of utility, and that there is a direct relationship between quality and price.

The actual price-quality relationship is a complex interaction between price, brand name, store image, product features, and brand awareness (Lambert, 1980; Gerstner, 1985).

Overall, the quality of a product is also related to the availability of the product's main functional features on one hand and the consumer's experience-in-use of the other auxiliary features on the other hand (Yoon and Kijewski, 1997). A product's main functional features are the sources of the primary benefits that the consumers expect to obtain when purchasing a product. In general, consumers' evaluations of a product's overall quality are related to the availability of these features in comparison with the competition (Lambert, 1980; Nowlis and Simonson, 1996). Hence, it is necessary to talk to the consumers for measuring the quality. Since, quality reflects the extent to which a product or service meets or exceeds consumers' expectations (Wal et al. 2002). So, the success of the telecommunication sector in market place is also depending on product quality and availability.

### **2.3.6 Consumer Choice**

According to (Valarie and Dwayne 2008), The first important area of consumer behavior that marketers are concerned with is how customers choose and make decisions and steps that lead to purchase a particular service. Below is a logical sequence of events that consumers follow before service purchase;

- (d) Need recognition: The buying process starts with recognition on whether the need or want to that service do exists.



- (e) Information search: Once the need has been recognized, consumers obtain information about service that might satisfy this need.
- (f) Evaluation of service Alternative: With the available information consumer, evaluate the service option that will give maximum satisfaction.
- (g) Service Purchase: Following consideration of alternatives (whether an extensive process or automatic) consumer make a decision to purchase.

### **2.3.7 Behavioral Issues**

Conventional economics starts with a number of assumptions about consumer behavior, including that:

- (h) Consumers approach markets with a set and stable set of preferences.
- (i) Consumers are concerned only with their own welfare.
- (j) In aggregate at least, consumers can rationally use available information to make optimal decision.
- (k) Consumers face a bounded rationality. (e.g. in the form of various costs of acquiring and processing information) and, as a result, rely on ‘heuristics’ (such as reliance on a firm’s reputation and other price and quality signals) in decision-making.

Behavioral economics challenges some of the presumptions of conventional economics that consumers make their choices coherently and rationally given their preferences and the constraints upon them. Behavioral economics involves the study of actual consumer behavior (by contrast with how consumers should behave). It argues that consumers often fail to act in their own best interests due to behavioral

traits such as failure to process information objectively or misvaluations about the costs and benefits of prospective decisions. For example, research conducted on switching activity by low-income households in UK electricity markets found that overall these consumers did not switch provider in a way that could be explained by any rational set of criteria. Only 7% of consumers chose the cheapest option and, indeed, 32% changed to a supplier that was more expensive (Wilson and Waddams-Price 2005).

Among the biases identified by behavioral economics, the following may be particularly relevant to the telecommunications market and may help to explain how, even where there is adequate information; consumers may be making seemingly irrational decisions in choosing an operator or service package (OECD 2006):

**(i) Choice**

Consumers having too many products or features to compare may experience increased anxiety about the possibility of making a bad choice. This can lead to random choice, or failure to make any choice, resulting in missed opportunities for buyers and sellers. A type of analysis paralysis can take hold when information and choices become very complex.

**(ii) Endowment**

Consumers may be reluctant to give up what they have; even though they would not buy such goods or services if they did not already have them, (e.g. consumers may stay with the incumbent fixed line provider because of misplaced loyalty, a failure to acknowledge poor choices in the past, or an irrational consideration of sunk costs).

### **(iii) Defaults**

The ordering of options, particularly in markets where a choice must be made, influences choice. Consumers may tend to take a path of least resistance; particularly if they feel there is a normal option (e.g. people may buy standard bundles offered by telecommunications suppliers, even if they do not want the whole telecommunications bundle).

### **(iv) Hyperbolic Discounting**

Consumers tend to be short-sighted when making decisions with immediate costs or benefits to be weighed against future costs or benefits (e.g. consumers may enter into long term telecommunication contracts because they place more value on the immediate benefits of the offer, such as a free or heavily subsidized handset or a reduced first month rate, or free local calls, rather than on the long-term costs of a contract such as high price for calls exceeding a usage bucket, the inability to switch to lower-priced alternatives, and the inability to take advantage of latest technology).

### **(v) Framing biases**

The ‘frame’ in which information is presented influences consumer choice. Presentation of the same information in a different ‘frame’, can lead to a different decision. For example, “all calls to national fixed lines free” would obtain a different response than “pay only for national calls to mobile phones.”

### **(vi) Heuristics**

Consumers often take short cuts (e.g. by following rules of thumb) when the decision environment is too complex relative to their mental and computational capabilities. These rules of thumb are called “heuristics” and are often accurate enough to be

useful, but may sometimes lead to sub-optimal decisions

### **2.3.8 Competition**

Competitors to a particular company are those people/companies offering the same product or service now, offering similar product, or offering same or similar product as a particular company do. A company must provide a greater customer value and satisfaction than its competitors do. Marketers must do more than simply adapt to the needs of target customers. They must gain a strategic advantage by positioning their offerings strongly against competitor's offerings in the minds of customers. No single marketing strategy is best for all companies, for example, large firms have their own strategy that small firms cannot adopt (Kotler 2003).

According (McCarthy E.J 1987) competitive environment affects the number and type of competitor the marketing manager must face and how they behave. Although managers cannot control competition but they may choose strategies that will avoid head on competition. McCarthy states that there are four kinds of competition, which are pure competition, oligopoly competition, monopoly competition and the monopolistic competition. Pure competition operates where many competitors offer about the same products, market have homogenous products and there are many buyers, sellers, and new firms (entrants) has little difficulty in starting business.

Oligopoly is common in the market consist of few sellers who are highly sensitive to each other's pricing and marketing strategies. There are few sellers because it is

difficult for new sellers to enter the market. Each seller is alert to competitor's strategies and move. Tanzania telecommunication sector gives a good example of companies operating in oligopoly market. In this case, the change in price/tariff of one of the company's products affects seriously other operators. (CCK 2008).

### **2.3.9 Promotion**

Promotion is among the tools in which organization use to communicate with consumers with respect to their product offerings (Rowley, 1998). It is an important part for all companies, especially when penetrating new markets and making more or new customers (Kotler et al., 1999). They also mentioned that promotion is the activities that communicate the product or services and its merits to target customers and persuade them to buy. Generally, promotion is concerned with ensuring that consumers are aware about the company/firm and its products that the organization makes available to those consumers (Root, 1994). More specifically, the objectives of any promotional strategy such as; increase sales; maintain or improve market share; create or improve brand recognition; create a favorable climate for future sales; inform and educate the market; create a competitive advantage, relative to competitor's products or market position; improve promotional efficiency (Rowley, 1998).

According to Alvarez and Casielles (2005) promotion is a set of stimuli that are offered sporadically, and it reinforces publicity actions to promote the purchasing of a certain product. Promotional offer consists of several different objects to create a better sale impact, for example, coupons, samples, premiums, contests, point-of-purchase displays and frequent-buyer programs. Each of the promotion techniques

are intended to have a direct impact on buying behavior and perception about the company or service providers. The objectives of promotion will be reached largely when it is done sporadically, when the consumer does not expect it. Promotional action must be planned, organized, integrated into the establishment's marketing plan.

## **2.4 Empirical Literature Review**

### **2.4.1 Access to Comparable Information on Prices**

Constraints on the ability of consumers to process information can lead to non-optimal, welfare reducing decisions even when the information available to them is non-deceptive. For example, the wide range of possible consumer usage patterns, detailed variations in price levels and price structures and the large number of possible discount and bundled schemes available complicates comparison of prices for telecommunications services offered by different suppliers. Tariff plans commonly employ an increasing variety of structures and discount schemes such as:

- (i) Onnet call discount
- (ii) Peak/off-peak rates
- (iii) Volume discounts
- (iv) Cheaper calls as calls get longer
- (v) Flat-rate calls
- (vi) Unlimited calls

Moreover, operators and service providers regularly adjust their pricing strategies either through changes in components of their tariff structure, or the introduction/withdrawal of various discount schemes and service packages. In short,

the wide range of tariffs and discount schemes make it difficult for consumers to calculate which tariff, from which supplier, would amount to the best deal or an improvement on their existing service. To make a fully informed decision, consumers would need to study a detailed breakdown of their call profile (the number, type, duration and timing of calls made). A survey in the United Kingdom, for example, indicated that over one third of consumers found it difficult to compare prices in the fixed, mobile and Internet market segments (Ofcom 2006b).

#### **2.4.2 Price Comparisons in the Mobile Market**

Strong competition in the mobile market offers potentially significant benefits to consumers who have multiple pricing to choose. (UCC, 2008). However, consumer surveys across a number of OECD countries have revealed that consumers find it difficult to compare mobile pricing plans offered by different operators because of the wide variety of plans with complex rate structures that impose different restrictions on use. In many countries consumers pay different amounts for calls depending on whether the called party is on the same network as the caller or not. In addition, call prices may depend on the time the call is made and how many calls the calling party has already made in the relevant billing period. In many cases, consumers have even expressed difficulty in choosing between mobile pricing plans offered by the same operator (ACMA, 2006).

Comparison of retail prices of mobile plans can be difficult also because of the bundling of calling and access charges. For example, plans with higher monthly access charges usually come with a larger number of unmetered call minutes. Also adding to the complexity is the range of mobile packages offering different

combinations of monthly charges, free calling minutes, and peak and off-peak calling rates.

In the United States, consumer advocates have complained that operators make it extremely difficult to determine the final price of a mobile service by incorporating a range of surcharges in call prices that are not immediately apparent in the prices publicized in consumer advertising and promotional literature (Illinois PIRG, 2005). This suggests that many consumers may either: systematically overestimate usage levels and choose plans with higher rental charges and more available minutes than they actually require, or underestimate usage and end up paying significantly higher prices for additional minutes above those provided as part of their pricing plan.

A recent academic study has suggested that some mobile operators in the United States take advantage of consumer misperception in underestimating usage requirements (Bar-Gill, 2006). The study found that there is a steep jump in per-minute charges when consumers exceed a plan's usage limit. A further problem in the mobile market relates to the lack of transparency of charges for international roaming. Roaming charges are complex and not well understood by consumers. Indeed, some consumers may not even be aware that these charges exist.

#### **2.4.3 Improving Access to Price Comparison Information**

It could mean a regulator promoting intermediaries that provide price comparison information. In some cases – perhaps where more generic information about communications markets as a whole and opportunities for switching is required – a regulator may sometimes be best placed to provide information itself. However, the



benefits of possible regulatory intervention to promote information disclosure have to be weighed against the disadvantages. In the United States, the Federal Communications Commission (FCC) found that once competition in the wire line, long distance telecommunications market was robust, a requirement that operators publicly file tariff changes with the FCC chilled competition in the market.

The European Commission (EC) has identified two main problems in relation to the transparency and publication of consumer information (EC, 2006). Firstly, callers are often unable to find out, or are not aware of, which tariff applies to their services. For example, when calling a premium rate number, consumers are not always adequately informed on the price involved or even on the type of service behind the number. Another example is that a mobile call to a number advertised as free-phone may be not free. Secondly, the EC recognized that making price comparisons can be difficult for consumers, particularly in cases of service bundling.

#### **2.4.3.1 The EC Suggested Changes that Would**

- (i) Give National Regulatory Authorities (NRAs) powers to require from operators better tariff transparency (with the possibility to agree technical implementing measures at EU level) to ensure that consumers are fully informed of the price before they purchase the service.
- (ii) Ensure that third parties have the right to use without charge or hindrance publicly available tariffs published by undertakings providing e-communication services, for the purpose of selling or making available comparative price guides.

- (iii) Empower NRAs to make price guides available where the market has not provided them.

#### **2.4.4 Comparing Quality of Service**

To benefit from competition, consumers need to be well informed, not just about price but also on the qualitative aspects of the service. Consumer research indicates that quality of service is the second most important driver of switching after price (Ofcom, 2006a). Business as well as residential consumers are interested in quality of service comparisons. In a competitive market, there are clear incentives for providers with a high quality of service to let consumers know about it. In some countries, service quality is a major factor in the promotion of competitive services.

The difficulties faced by consumers in using quality of service information (Barrow 2007) has led many regulators around the world to attempt to improve the breadth and depth of quality of service information made available in the market (Milne 2006). However, such attempts to develop consistent, comparable indicators have had only limited success (Sutherland 2006). Issues that have proven controversial and difficult to resolve include consistency of sampling, sampling handling, measurement methods and data qualifiers and the development of consistent conditions under which measurements are carried out (Milne 2006).

#### **2.4.5 Influences on Switching in Telecommunications Markets**

Another reason why some consumers decide not to, or feel unable to switch could be that the perceived or actual level of savings available is considered to be inadequate. According to research conducted by Ofcom (Ofcom, 2006), in the fixed line market

consumers indicated that in order to switch they would require savings that are the equivalent to around 75% of their monthly phone bill. This might appear irrationally high. But it might also suggest that consumers find the searching, evaluation and actual switching process difficult and time consuming and thus require the promise of high levels of eventual savings as compensation for the time and effort involved in switching.

A significant minority of consumers are reluctant to change at any price'. 32% of consumers would be "unlikely" or "highly unlikely" to switch supplier for savings of 40%, and 25% of consumers would not even make changes with their existing supplier. The number of different factors consumers has to take into account when choosing a mobile Telecommunications provider could create considerable search costs for consumers. This is because the cost and suitability of a particular mobile phone package for a particular consumer depends on a number of factors:

- (i) How much consumer uses the phone.
- (ii) The time of day, the consumer makes most of their calls.
- (iii) The mobile network used by most of the people they are likely to call.
- (iv) Whether and how much the consumer wants to use the mobile abroad.
- (v) Which networks have coverage

#### **2.4.6 Consumer Behavior in Telecommunication Markets**

Switching patterns provide an important indicator that the demand-side of a market is well developed and consumers sufficiently empowered to participate actively. The motivation to participate is generally a function of consumers' estimate of the

performance of their existing supplier; and whether or not they believe there are better alternatives available from other suppliers on the aspects of service that matter to them. If the market is perceived to be undifferentiated and/or if their current supplier is perceived to be the best on the market on the criteria that are important, there is no expected benefit from switching (Ofcom 2006b). It neither is important to note, however, that switching is not the only measure of a vibrant demand-side nor is switching necessarily always in consumers' best interests. The decision to engage in coordinated information gathering that will support the decision to switch or not to switch is also important. If a consumer is satisfied with his/her current provider, switching is not necessarily an improvement. (Mariuki 2004)

## **2.5 Research Gap**

In September 2000, Amazon.com attempted to implement a multiple pricing structure that would track online purchasing behaviors to charge loyal customers higher prices for the same product. Amazon's customers met this new pricing initiative with extreme displeasure, forcing the company to end its trial with multiple pricing. Multiple pricing is not new and Industries such as travel and retail have charged consumers different prices for years through special promotions such as frequent flyer miles and loyal customer discount cards.

Why is it then that Amazon's customers perceived the company's differential pricing structure as being unfair? (Jennifer, 2001). More importantly, are there times when multiple pricing is acceptable. An understanding of the concepts of distributive and procedural justice, as well as equity theory and dual entitlement, provides managers

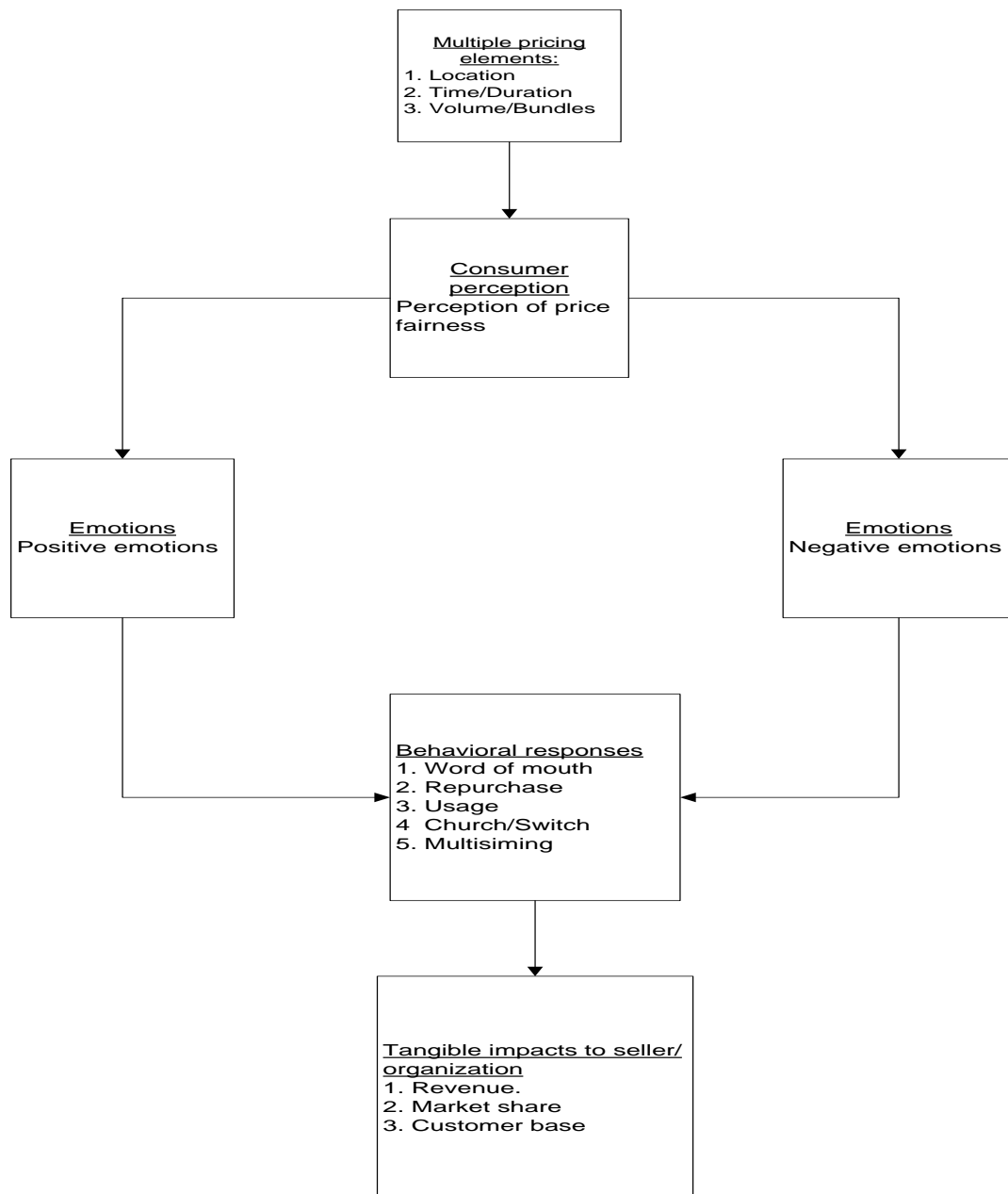
with the defining principles of price fairness. Implementing these concepts and theories into the firm's pricing practices will increase the likelihood that customers will perceive multiple pricing as being fair and successful as a pricing strategy. (Valarie and Dwayne 2008).

Bechwati, Sisodia, and Sheth (2009) found that consumers tend to compare prices to those paid by other customers when judging price fairness. Moreover, the buyer-seller relationship serves as a buffer to mitigate the negative impact of a disadvantageous price discrepancy on price fairness perceptions (Xia et al., 2004). However, it is not clear if such buffer effect may apply to high price discrepancy that is to consumers' disadvantage. For example, Martin et al. (2009) reported that although loyal customers perceive a minor price increase to be more fair than non-loyal customers do, loyal customers' fairness perceptions are not more favorable than non-loyal customers when the price increase is high.

Furthermore, consumers' perceptions of the unfairness of multiple pricing are impacted by the temporal proximity of the price difference (i.e., temporal close vs. temporal distant price difference). (Price 1995) A disadvantageous price difference occurred within a recent time period is likely to remain salient to consumers and trigger negative reactions, whereas a distant price difference is less likely to induce tension, and impact price unfairness perceptions, In most cases customers fails to understand multiple pricing and hence creating complications in market. (Adams, 1965). This study will be looking at multiple pricing as a strategy, highlighting the complication if any and the impact to consumer purchasing behavior and in turn impact to the seller.

## 2.6 Conceptual Framework

The conceptual framework is depicted in the below symbolic representation of the research idea in Figure 2.1.



**Figure 2.1 Multiple Pricing and Consumer Behavioral Changes**

**Source:** Researcher

## **2.7 Theoretical Framework**

Multiple pricing in telecom is mainly centered on three key elements; these are time/duration, volume/bundle and place/location. Frequent variations on these elements lead to changes in consumer perception on price fairness which in turn induce behavioral changes whether positive or negative. At last, the nature of behavioral change will determine the impact of this change to the seller.

Findings from empirical studies have provided evidence that consumers' price fairness perceptions are influenced by various factors. Overall, consumers tend to rely on several reference points such as past prices, competitor prices, and cost of goods sold when inferring price fairness to make comparisons (Bolton et al., 2003). In studies that examine multiple pricing as a strategy, it was concluded that this strategy influence price fairness perceptions and the perception on price induce consumer behavioral changes. (Choi & Mattila, 2009; Haws & Bearden, 2006). The impact to seller will depend on whether the behavioral change is positive or negative.

## **CHAPTER THREE**

### **3.0 RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter represents research design and procedures that was used in the study. It includes; Research Design, Types of data and information required Data collection methods and strategies, Sampling techniques and procedures, Data management and Analysis.

#### **3.2 Research Design**

Research design is a systematic research plan that provides the direction of the study and guides the researcher on how data should be collected, organized, analyzed and interpreted. It is the plan and structure of the researcher so conceived as to obtain answers to research questions .Kerlinger (1986), in cooper and schendler, 2003.146). The study was done as a case study since it was not possible to cover the whole population. In addition, it is a descriptive survey since it allowed a variety of data collection techniques including questionnaires, interviews, and documentation.

#### **3.3 Area of the Study**

The study was done in Dar es Salaam, where Telecom operator's offices were visited; selected consumers of the two operators were also interviewed. This is to minimize cost of the study, And also majority of the Tigo and Airtel subscriber are in Dar es salaam. Tigo has around 61% of her customers in Dar es salaam while Airtel has around 30%.



### **3.4 Population and Sample Size**

To achieve research objective mobile operator's office were visited to get secondary data especially on organization performance and customers also connected to these operators were interviewed.

#### **3.4.1 Sampling Technique**

For the research to get a quality information to represent the entire population, two sampling technique were adopted, these includes simple random sampling and Purposive/Judgmental Sampling

##### **3.4.1.1 Simple Random Sampling**

Simple random sampling was used because of its relative advantage that each subject in the population was given an equal and independent chance of being selected. This technique also requires minimum knowledge of the population in advance, it is free from classification error, and sampling errors can be easily tracked. The researcher makes use of this method in order to avoid bias in the process of picking the respondents from the list of possible respondents.

##### **3.4.1.2 Purposive/Judgmental Sampling**

Here, the researcher generally selected respondents basing on his own judgment. This method was deployed to select various individual within telecom operators to get key information.

### **3.4.2 Sample Size/Study Population**

For the purpose of this study, a sample of one hundred and twenty (120) customers was selected at random. In addition, two relevant staffs were selected from the two operators.

### **3.5 Data Collection Methods**

Considering the nature of the study, two major data collection method were deployed; the two methods includes; Primary data which was collected using the attached questionnaire mainly from a group of Airtel and Tigo customers who were randomly selected and the Secondary data collection which was done from the target telecom operators personnel and Tanzania Communication Regulatory Authority. Other documents within and outside the two operators were also consulted for more secondary information.

### **3.6 Data Collection Tools**

Questionnaires and documentation are the key data collection tools that were deployed. Through interviews, the researcher was able to understand the inner feeling of respondents because it was a face-to-face interview through a well-structured questionnaire with both closed and open-ended questions was deployed to the appropriate sample of respondents to gather fresh information. Documentation was used mainly for secondary information.

#### **3.6.1 Questionnaires**

Structured questionnaire with both closed and open-ended questions were used to the appropriate sample of respondents, which included Airtel and Tigo employee and

customers. The researcher made use of personal administration of the questionnaire. The researcher adopted personal questionnaire of this data collection instruments in order to increase the level of response as compared to mailing due to time limitation, to enhance accuracy as this provides opportunity for clarification and explanation of some aspect and editing and compilation of data were achieved at the same time of data collection.

### **3.6.2 Documentation**

The researcher consulted a range of physical and electronic documents. These includes website, research done by other agents, Operators internal reports, competitive intelligence database and other different kinds of documents within and outside the operator.

### **3.7 Data Analysis**

The data collected by the researcher was analyzed using both qualitative and quantitative methods. By the use of the two data analysis techniques, it was easy on analyzing and elaboration of the data. Qualitative method used words to elaborate the data while the quantitative method used numbers to clarify the data. Since the content of the data collected was massive and unorganized, the researcher could not be able to report everything on the paper. The mass of information was reduced in the best way possible, so as to give a clearer view of findings and conclusion.

## **CHAPTER FOUR**

### **4.0 DATA ANALYSIS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter is about the analysis, interpretation and presentation of what has been observed, experienced and extracted on the findings of the study thus to provide a logical picture about the general objectives of the study. This chapter is also so crucial because it is the core of the study and it provides answers to the research questions. The results presented in this chapter should be viewed with consideration of the scope and limitations of the study pointed out earlier.

##### **4.1.1 An Overview of the Field Responses and Observation**

Generally, the respondents were very cooperative, professional and attentive to the researcher's needs. Most of them were enthusiastic about the study and were impressed by the questionnaire and thus positive level of commitment was provided by most of them. They were ready to respond to the researcher's follow-up questions in the questionnaire. They were even open to ask the researcher for clarifications to some of the questions, which they wanted more, clarification. The questionnaire targeted to customers was deployed to Airtel and Tigo customers in Dar es Salaam while the next questionnaire targeting operators was deployed to appropriate personnel middle to higher managerial post within Airtel and Tigo.

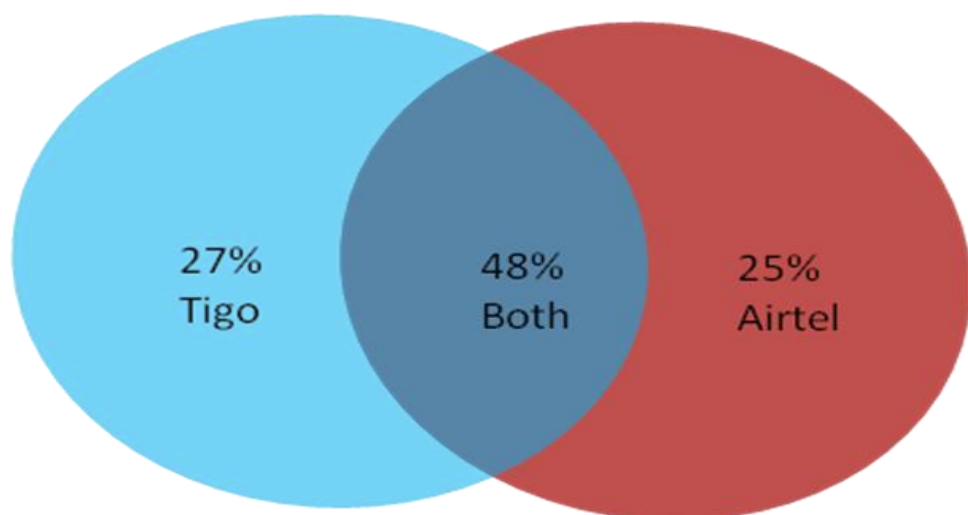
##### **4.1.2 The Aspect of Pricing Strategies as Viewed by Operators and Consumers**

All the respondents within Airtel and Tigo had a common stand about how they perceive the multiple pricing strategies. They all agree that they never plan on what

kind of a pricing strategy that is to be deployed but to them a pricing strategy would mean a proper analyzed tariff that would fit their customers and give them the best return in the particular period. Moreover, this tariff is selected after the operator decides on the market segment to focus. So generally, all the two operators do not have a proper plan on their pricing strategy and all the tariff structures that are being deployed are controlled by the market dynamics within the segmented of the market that the operator is trying to reach. From the consumer point of view, it is about be able to call at a reasonable cost, regardless of the pricing strategy deployed by the operator.

Considering this fact from operators as well as consumer, the researcher will be looking at the tariffs to reflect the trends and evidence of multiple pricing strategies in the market.

#### 4.2 Sample Distribution



**Figure 4.1: Respondents Sample Distribution**

**Source:** Research Data (2012)

Out of the 120 respondents, 27% of the respondents own Tigo simcard only, while 25% own Airtel simcard only. The remain 48% own both Tigo and Airtel simcard although out of these 71% spend most of their time on Tigo rather than Airtel.

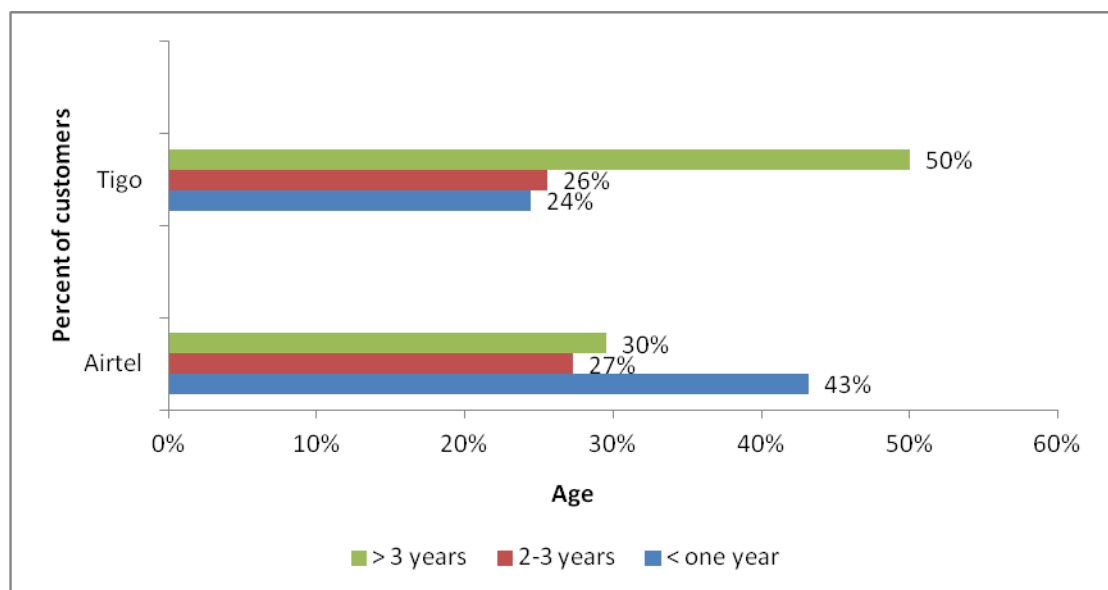
### 4.3 Respondent Age on Network

**Table 4.1: Respondent's Age on Network**

	<b>Airtel</b>	<b>Tigo</b>
< one year	43%	24%
2-3 years	27%	26%
> 3 years	30%	50%

N = 90

**Source:** Research Data (2012)



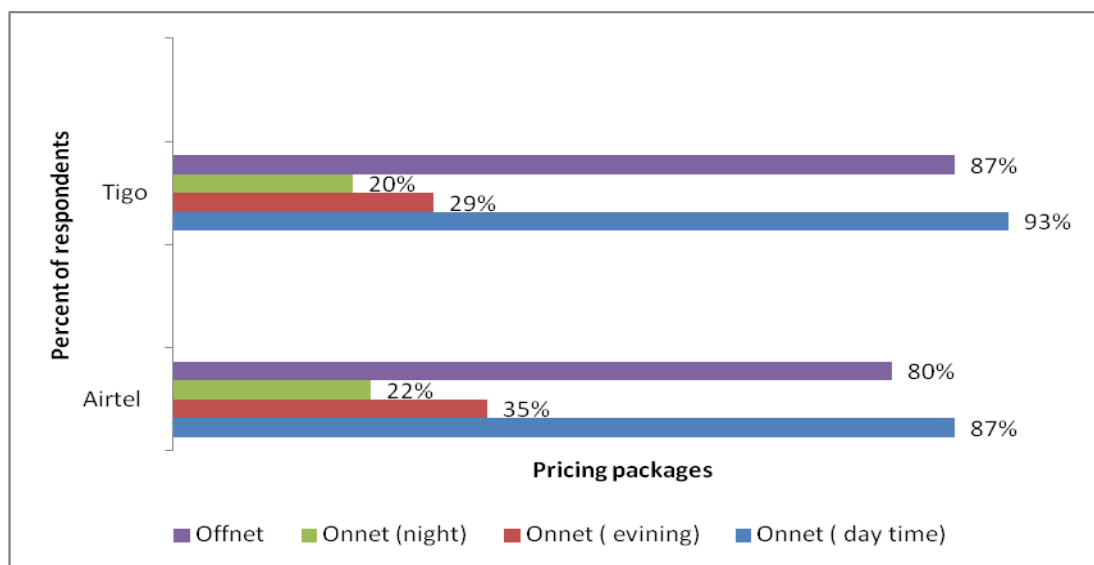
N = 120

**Figure 4.2: Respondents Age on Network**

**Source:** Research Data (2012)

Looking at Figure 4.2 above, 50% of the Tigo respondents have been with Tigo for more than three years and 24% of the respondents have less than one year while the remaining is between two to three years. This means Tigo did major acquisition three years back but they are currently not acquire much customers. As opposed to Tigo, 48% of the Airtel respondents have less than one year while 33% are more than three years, this suggest that Airtel is currently acquiring more customers than Tigo.

#### 4.4 Respond Awareness on Tariff



N = 120

**Figure 4.3: Respondents Tariff Awareness**

**Source:** Research Data (2012)

Looking at figure 4.3, the multiple pricing that currently exists in the Market is divided into Onnet daytime (6am – 6pm), Onnet evening (6pm – 10pm), Onnet night (10pm – 6am) and offnet.

The awareness is high on the onnet daytime and offnet tariff among customers of both Airtel and Tigo while the awareness is very low on the onnet evening and night tariff. Regardless of the effort that is done by operators both below the line and above the line to communicate the evening and night tariff the awareness is still low among customers and this is mainly because the time based multiple pricing has been done regularly on these time bands and it has gone to a point where consumer fail to remember what is exactly the price.

#### 4.5 Source of Tariff Information

**Table 4.2: Source of Tariff Information**

Media	Percent
TV	21%
Word of mouth	28%
Radio	31%
Print	13%
Brochure/Leaflet/Sticker	4%
Website	3%

N = 120

**Source:** Research Data (2012)

Radio and word of mouth have proved to be among the median that are effective in communicating tariff information. This is because 59% of all respondent receive information through these media.



## 4.6 Airtel and Tigo Key Tariff

### 4.6.1 Airtel Key Voice Tariff Since 2007

**Table 4.3: Airtel Key Voice Tariff Since 2007**

	<b>Tariff Name</b>	<b>Description</b>	<b>Launch Date</b>
1	Mambo tariff	Airtel customers to make onnet calls at 1 Tsh' per second from 11pm to 4:59 am during weekdays.	20th March 2007
2	Pamoja tariff launch	Airtel customers choose one partner and talk for 1 Tsh per second any time.	19th June 2007
3	Bonga tariff	Airtel customers talking at 1 Tsh per second after the first minute anytime to anyone	15th October 2007
4	Mambo wikendi	This is the extension of the mambo tariff to cover weekend.	28th May 2008
5	Zanzibar special.	Zanzibar customers talking at 1 Tsh per second 24 hours.	9th June 2008
6	Jirushe	Unlimited tariff where a customer registers for 1,900 Tsh and make free onnet calls for 24 hours.	22nd September 2008
7	Pamoja 10	Customers choose 10 partners and talk for 1 Tsh per second any time.	5th February 2009
8	Uhuru wa kuongea	Customers make onnet calls at 1 Tsh per second any time.	1st April 2010
9	Nusu bei	Reduction of offnet price from 6 Tsh per second to 3 Tsh per second.	9th August 2010
10	Talk for quarter a shilling.	Customers talk for quarter a shilling from 10pm to 6am.	20th May 2011

**Source:** Airtel Market Intelligence Database

### 4.6.2 Tigo key Voice Tariff Since 2007

**Table 4.4: Tigo Key Voice Tariff Since 2007**

	<b>Tariff Name</b>	<b>Description</b>	<b>Launch Date</b>
1	Longa longa time	'Longer longa time', which allows Tigo customers to make calls at a rate of 1 Tsh per second from 10pm to 6am during weekdays and during the week, ends 10pm Friday to 6am Monday.	17th Jan 2007.
2	X- tra Longa	The longa longa time was extended to cover weekdays as well.	6th May 2007.
3	TiGo Extreme	Unlimited tariff where a customer registers for 2,000 Tsh and make free onnet calls for 24 hours.	24th January 2008.
4	Longa Longa 24 hours	The longa longa tariff was extended to cover 24 hours of the day and not limited to 10pm to 6am	15/12/2008
5	Tigo thumuni	Tigo customers talk for half a shilling after the first minutes	20th May 2010
6	Tigo nusu bei	Reduction of offnet price from 6 Tsh per second to 3 Tsh per second.	23rd July 2010
7	Talk for free	Talk free after first minute starting from 12:00am to 05:59am	28th September 2010
8	Talk for quarter a shilling in Zanzibar	Tigo customers in Zanzibar can talk for quarter a shilling for 24 hours.	20th February 2011

**Source:** Airtel Market Intelligence Database

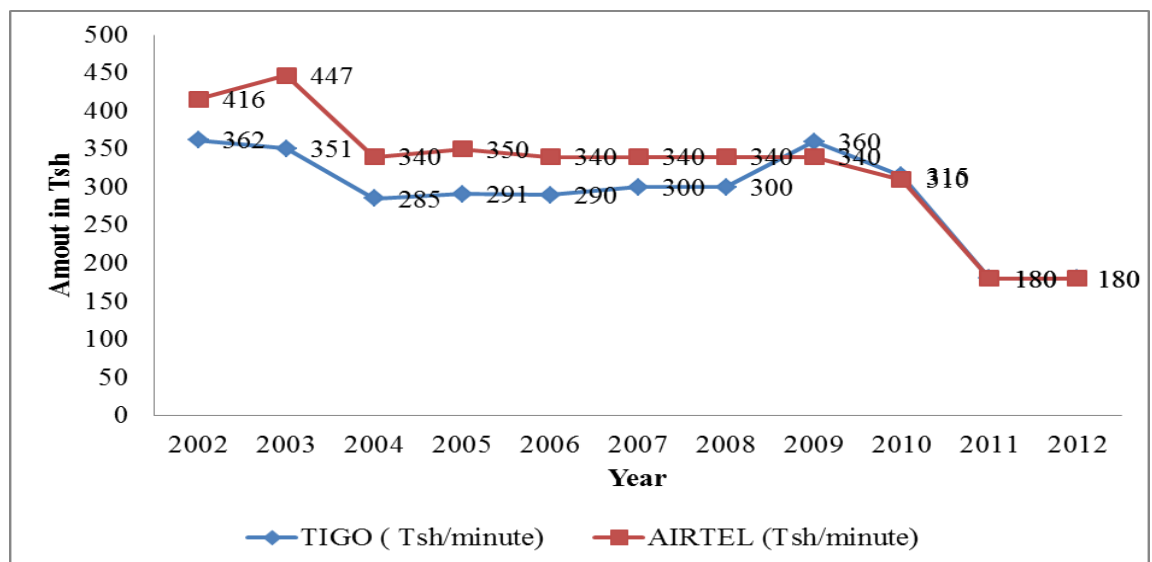
#### **4.7 Airtel and Tigo Weighted Tariff Trend**

#### 4.7.1 Offnet Tariff Trend

**Table 4.5: Weighted Airtel and Tigo Offnet Tariff Trend**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TIGO (Tsh/minute)	362	351	285	291	290	300	300	360	315	180	180
AIRTEL (Tsh/minute)	416	447	340	350	340	340	340	340	310	180	180

**Source:** Airtel Market Intelligence Database



**Figure 4.4: Weighted Airtel and Tigo Offnet Tariff Trend**

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)

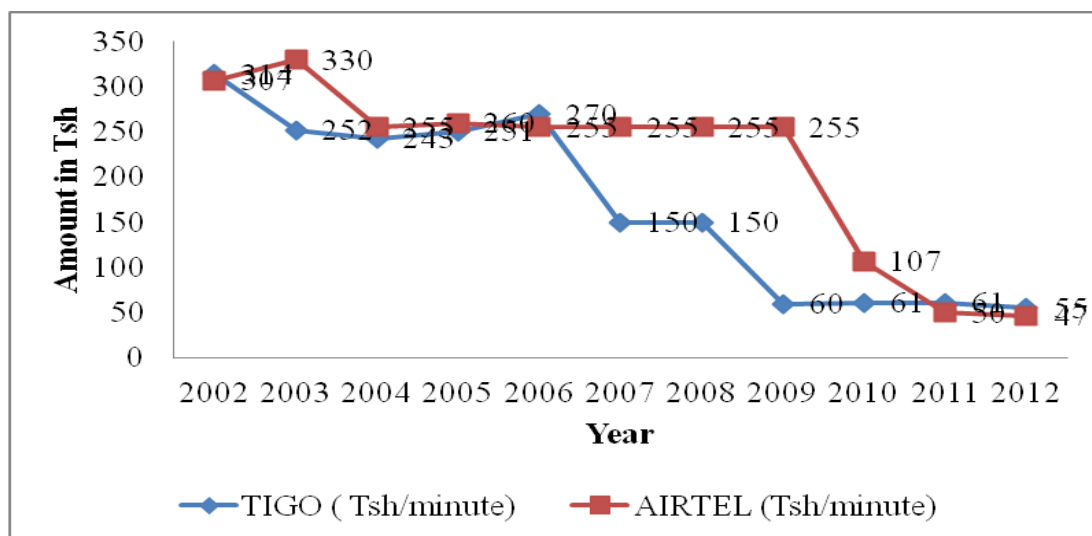
Looking at the Figure 4.4 above Airtel has been operating at higher offnet price than Tigo since 2001. The major tariff cut is seen during 2010 – 2011. This was when Tigo slashed their offnet tariff from 360 Tsh per minute to 180 Tsh per minute on the 23rd July 2010 and then Airtel did the same on the 9th August 2010. From 2011 the offnet price had remained at 180 Tsh per minute. This means Tigo had a monopoly on the offnet pricing for more than nine years (2001 – 2010) and they were more likely to attract price sensitive customers at this period.

#### 4.7.2 Onnet Tariff Trend

**Table 4.6: Weighted Airtel and Tigo Onnet Tariff Trend**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TIGO (Tsh/minute)	314	252	243	251	270	150	150	60	61	61	55
AIRTEL (Tsh/minute)	307	330	255	260	255	255	255	255	107	50	47

**Source:** www.tcra.org.tz



**Figure 4.5: Weighted Airtel and Tigo Onnet Tariff Trend**

**Source:** www.tcra.org.tz

None of the two operators (Tigo and Airtel) had a clear monopoly on the onnet pricing before 2007. Details of the two operators is discussed below

**(a) Tigo**

The introduction of Tigo longa longa tariff in 17th January 2007 mark the beginning of the regular price cut and multiple pricing. Longa longa give Tigo a clear onnet price monopoly over Airtel. Tigo longa longa was followed by X - tra longa longa on the 6th May 2007 which was also an onnet move, but another major hit for Tigo onnet was Tigo Extreme which was unlimited onnet tariff introduced on the 24th January 2008. Tigo Extreme reduces the Tigo onnet price even further. Longa longa 24 came into the market on the 15th December 2008 and this tariff was later revamped on 3rd April 2010 to mark the end of the Tigo onnet hits of the market.

**(b) Airtel**

Trying to adjust their pricing reputation in the market, Airtel introduce their first onnet price cut called Mambo on the 20th March 2007, Pamoja and Bonga followed this on tariff 19th June 2007 and 15th October 2007 respectively. These three tariffs were later known, as “*Airtel mipango mitatu*” were the major onnet hits from Airtel in 2007. Mipango mitatu were mainly targeting customers who wants to talk at night (Mambo), customers who had most of their call to one partner ( Pamoja) and customers with long calls ( Bonga). In 2008, Airtel introduces mambo weekend and later on Jirushe which was unlimited onnet tariff. The major hit for the Airtel onnet pricing was *Uhuru was kuongea* on 1st April 2010.

#### 4.7.2.1 Multiple Pricing in Onnet Dynamics

The validity of the discussion on section 4.1.2 is proved in this part. Looking at the onnet pricing, the market was silent before 2007 where there were less dynamics on pricing and the operators were all charging around 240 – 260 Tsh per minute. In 2007 January Tigo redefined the market segment to focus on and select 'Youth'. And by then youth were more on affordability, So Tigo introduced a slush on their onnet price to fit youth, At this time Celtel ( now Airtel) had their key focus on middle to higher income earners so they did not want to be more on pricing but rather their key focus were on quality of services and coverage. Considering this they responded by introducing a slight decrease in their onnet structure. Refer to *Mipango mitatu* in the previous discussion.

Later on Tigo introduces unlimited tariff 'extreme' that in long run it overlaps the needs of youth to small-scale business owners and middle-income earners. This was an alarm to Airtel because the overlap of the Extreme value interfered their target market. Airtel responded almost nine months later by introducing Jirushe, which was also unlimited tariff, but still after this reaction Airtel did not do much of the onnet price cut. This delayed reaction was of a great advantage to Tigo because as it will be seen later this is where Tigo makes most of their customer acquisition.

Price sensitivity grew among the consumers, and they responded more on onnet pricing Airtel had to play smart by forgoing the benefit they were reaping on the advantage of having more revenue through high onnet pricing and agree on the affordability as a key driver for customer acquisition. Uhuru was kuongea was

introduced as clear onnet cut to 60 Tsh per minute onnet. Two days later Tigo revamped their Longa longa 24 hours tariff and two operators onnet weighted tariff remain at 60 Tsh per minute. The regular onnet tariff intervention that is seen is clear of evidence of the multiple pricing in the market. Both operators have been played with the same parameter “*onnet calls*” but it has been billed differently overtime

#### **4.7.2.2 Existing Duration Based Multiple Pricing Rooted on Onnet**

The year 2007 mark the beginning of the major multiple pricing initiatives in Tanzania mobile market. Tigo pioneered these initiatives and other operators reacted. Initially Airtel responded by simple multiple pricing strategies mainly on location (refer to

Zanzibar tariff on table 4.3 and 4.4) and slight onnet voice time bundles. After April 2010 the two operators were both at 60 Tsh per minute and for operators to reap more value while maintain the affordability reputation to customers, Operators had to focus on multiple pricing in a more comprehensive manner. And this was mainly through duration based multiple pricing through re introduction of onnet time bands.

**Table 4.7: Tigo and Airtel Multiple Pricing Time Bands**

<b>Operator</b>	<b>Day Time</b>	<b>Evening Time</b>	<b>Night Time</b>	<b>Other Networks</b>
	<b>6am -6pm</b>	<b>6pm -10pm</b>	<b>10pm-6am</b>	
<b>AIRTEL</b>	<b>1Tsh</b>	<b>2Tsh</b>	<b>0.25 Tsh</b>	<b>3 Tsh</b>
<b>TIGO</b>	<b>1Tsh</b>	<b>2Tsh</b>	<b>1Tsh</b>	<b>3 Tsh</b>

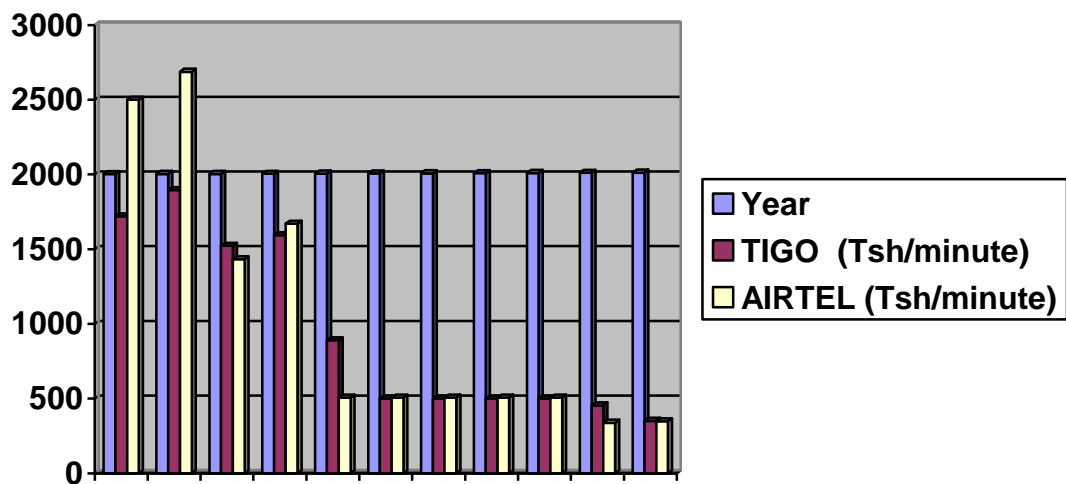
**Source:** Airtel Market Intelligence Database

### 4.7.3 Pricing on International Calls

**Table 4.8: Tigo and Airtel International Call Tariff**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
TIGO (Tsh/ minute)	1720	1895	1522	1593	890	500	500	500	500	454	352
AIRTEL (Tsh/ minute)	2500	2687	1433	1670	507	507	507	507	507	339	348

**Source:** Airtel Market Intelligence Database



**Figure 4.6: Tigo and Airtel International Call Tariff**

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)

Less dynamics has ever existing in the international calls pricing, but Tigo were a bit cheap before 2005, and there after the two operators have been operating in almost the same platform.



## 4.8 Key Drivers to Purchase a Particular Operator

### 4.8.1 Key Drivers to Purchase Among Multisimmers

58 customers who use both operators were asked if they are to retain only one operator, who would they select. 33% opt to remain with Airtel while the remaining 67% opted Tigo. Table 4.3 below were the highlight the major drivers given by multisimmers to retain an operator.

**Table 4.9: Key Drive to Connect Among Multisimmers**

	Airtel	Tigo
Affordability	9%	33%
Wide coverage	69%	2%
Family and friends	22%	65%

**N = 58**

**Source:** Research Data (2012)

Wide coverage stands as a clear driver for multisimmers to retain Airtel simcard followed by family and friends while for Tigo Family and friends stands clearly as a key driver followed by affordability.







### 4.8.2 New Customers Drivers to Purchase

60 Customers with less than one year in network were asked what were the key drivers for them to purchase either of the two operators and below are the responses. The results are the same as the previous section, it still prove that majority of customers are no longer connected to Tigo because of affordability as it is widely perceived but rather the community effect. See table 4.10.

**Table 4.10: New Customer's Driver to Purchase**

	Airtel	Tigo
Affordability	18%	30%
Wide coverage	42%	9%
Family and friends	39%	61%

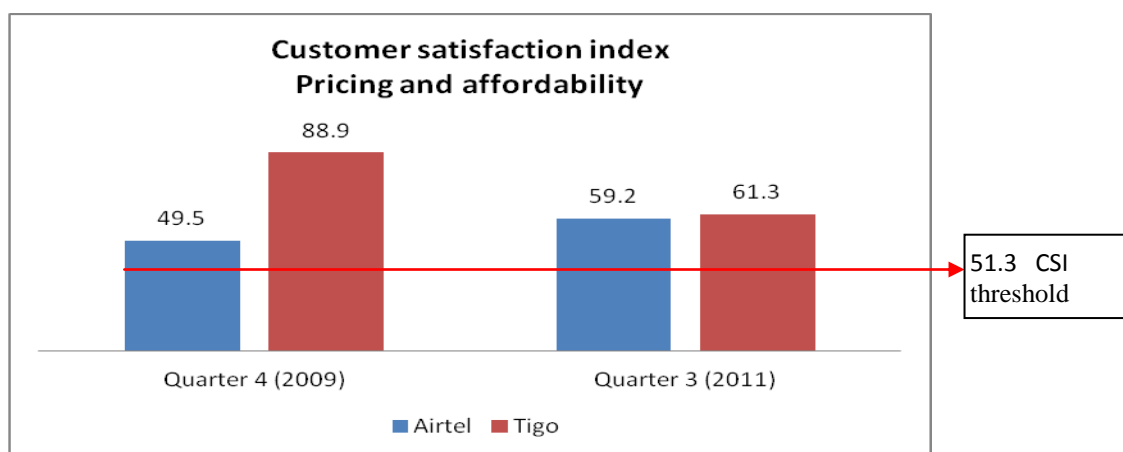
**N = 60****Source:** Research Data (2012)**4.8.3 Trends on the Key Purchasing Drivers Over Time****Table 4.11: Key Driver's Consumer's Use During Purchase Decision**

	% of Respondents	
	Q4 2009	Q2 2012
Reasons to choose operator		
Network coverage - quality and reliability	15%	 17%
Affordability	31%	 23%
Denominations / size of recharge voucher	1%	0%
Off-peak rates and times	<b>2%</b>	<b>2%</b>
Onnet rates	<b>22%</b>	 <b>3%</b>
Value added services	2%	4%
Ease of use	1%	0%
Ease of joining / subscription	<b>1%</b>	<b>0%</b>
Availability of sales points	3%	3%
Popularity / use by friends, family	18%	 39%
Special offer / promotion	2%	2%
Community social responsibility	<b>1%</b>	<b>0%</b>
Customer service	1%	2%
Services and products offered	0%	 1%
Internet service	<b>3%</b>	 <b>5%</b>
International / roaming service	0%	1%

**N = 365****Source:** Tigo Trand Tracker Report by ACNielsen.

Looking at Table 4.11 there is significant changes on the key drivers that consumers use during purchase decisions. In 2009, consumers were more connected to physical brand attributes. Almost 53% of the respondents would select an operator based on Onnet rates (31%) and affordability (22%). On 18% of the respondents opted for family and friends. In the study that was done early 2012 the two drivers has gone down to affordability (23%) and onnet rates (3%). Family and friends as a driver has gone up to 39%. This is such a significant shift from physical attributes of the brands to more of emotional attributes. Affordability is of less important than the family and friends network because consumers believe that affordability is within the umbrella of family and friends. Unknowingly as operators were concentrating on playing with onnet rates through multiple pricing, they end up creating an onnet community in which consumers believe that once you are within this community you will automatically enjoy the affordability.

#### 4.8.4 Multiple pricing and Consumer Pricing Perception



N = 200

**Figure 4.7: Customer Satisfaction Index Pricing and Affordability**

**Source:** Tigo Customer Satisfaction Report Quarter 3 2011 by Research Solutions.

Comparing the customer satisfaction index in quarter four 2009 and quarter three 2011 there is a significant changes between the two operators. Tigo score have gone down significantly while Airtel record an improvement. It is true that Airtel had major price cut during this period so the score were expected to rise although the increase is very minimal, on the hand it was expected Tigo to record high value considering more price cut that have been done, but this is not the case because the Tigo scores has gone down.

This is best explained by the same principal as in section 4.7.4, major price cuts that was done by Tigo is no longer translated into satisfaction because consumers are more connected to family and friends and any more pricing initiative does not make major changes in their satisfaction. Affordability is no longer a key driver that brings them together.

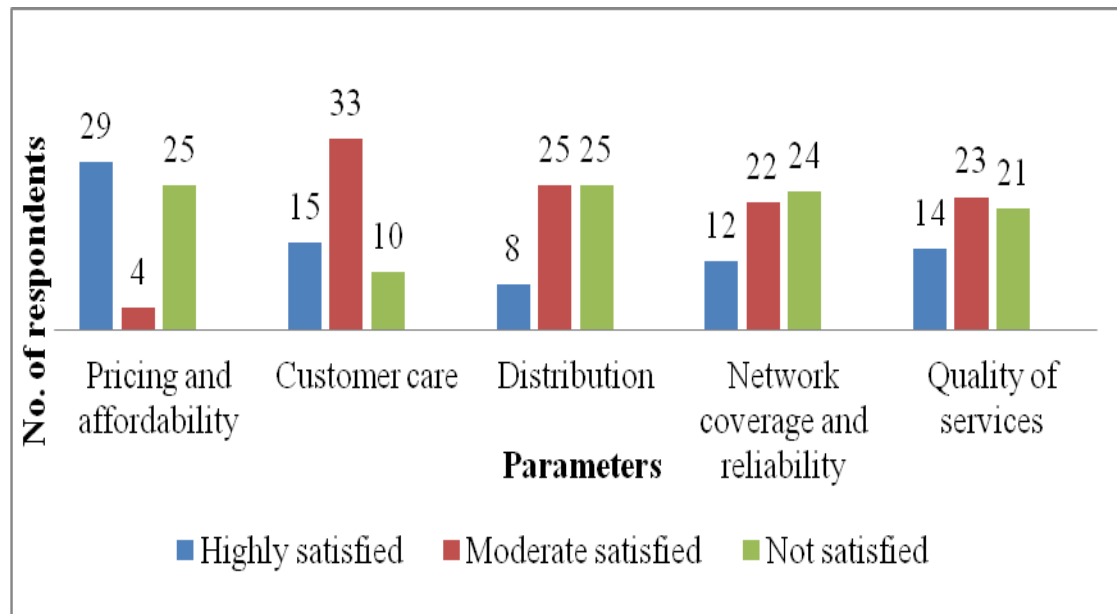
#### 4.8.5 Satisfaction Based on Other Drivers

**Table 4.12: Tigo Customer Satisfaction on the Key Drivers to Purchase**

	<b>Tigo</b>		
	<b>Highly satisfied</b>	<b>Moderate satisfied</b>	<b>Not satisfied</b>
Pricing and affordability	29	4	25
Customer care	15	33	10
Distribution	8	25	25
Network coverage and reliability	12	22	24
Quality of services	14	23	21

N = 58

**Source:** Research Data (2012)



**Figure 4.8: Tigo Satisfaction on other Business Parameters**

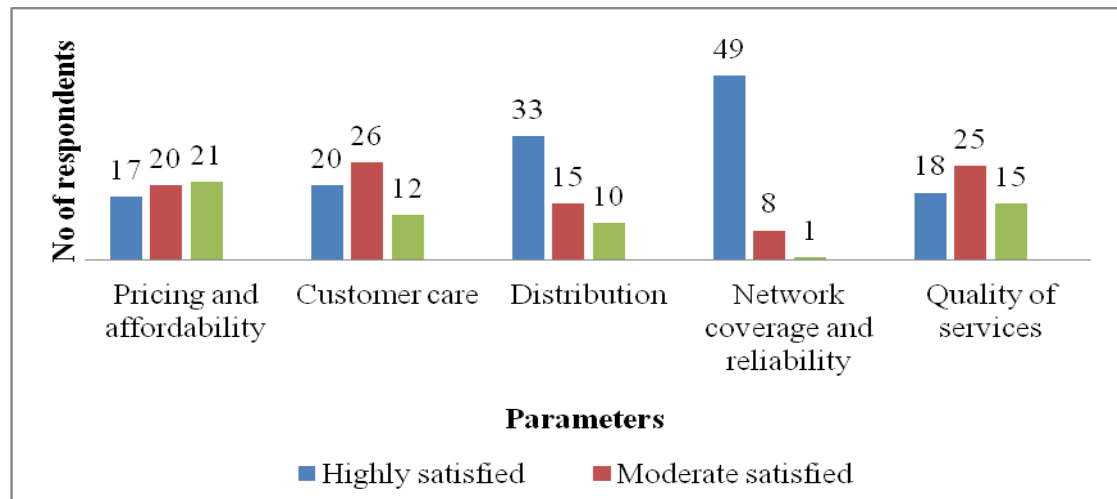
**Source:** Research Data (2012)

**Table 4.13: Airtel Customer Satisfaction on the Key Drivers to Purchase**

	Airtel		
	Highly satisfied	Moderate satisfied	Not satisfied
Pricing and affordability	17	20	21
Customer care	20	26	12
Distribution	33	15	10
Network coverage and reliability	49	8	1
Quality of services	18	25	15

N = 58

**Source:** Research Data (2012)



N = 58.

**Figure 4.9: Airtel Satisfaction on Other Business Parameters**

**Source:** Research Data (2012)

#### (a) Airtel

As seen in figure 4.8 and 4.9 on Airtel side, customers are more satisfied with network coverage and distribution of recharge voucher. Low satisfaction is more on the quality of services.

#### (b) Tigo

Looking at Tigo customers the difference between customers are who are satisfied with pricing and those who are not is minimal, this stress on the fact that the significant of pricing as a driver to purchase is going down.

#### 4.8.5.1 Satisfaction and Purchasing Behavior

Tigo had most of the parameters that respondents are not satisfied with as compared to Airtel, but still majority of the respondents who are multisimmers opt to remain with

Tigo and not Airtel. Because these are the same customers who uses both operators and they are more satisfied with Airtel than Tigo, it could have been easy to conclude that they will opt to remain or recommend Airtel and not Tigo but the response is opposite. Looking at Table 4.3 it is not because of loyalty, but rather the key driver for them to opt Tigo is family and friends network within a strong onnet community that Tigo has create over time. This means if any operator manages to break this barrier, Tigo can easily loose these customers.

#### **4.9 Change in Calling Pattern**

##### **4.9.1 Parameters Respondents Consider Before Making a Call**

**Table 4.14: Parameters Respondents Consider Before Making a Call**

	<b>Airtel</b>	<b>Tigo</b>
Onnet/offnet call.	58%	69%
Duration of the call	9%	3%
Time of the day	33%	28%

N = 120

**Source:** Research Data (2012)

All respondents were asked about the parameters they consider before making a call and majority of respondents (58% of Airtel respondents and 69% of Tigo respondents) explained that they would consider whether the call is onnet or offnet. This gives more explanation of the onnet community that was mentioned early.

#### 4.9.2 Time of the Day Respondents Make Most of their Call

**Table 4.15: Time of the day to Make More Call**

	Airtel	Tigo
Morning	23%	23%
Noon	47%	43%
Evining	6%	2%
Night	16%	28%
Any time	9%	3%

N = 120

**Source:** Research Data (2012)

Majority of respondents (70% Airtel and 66% Tigo) makes their call between morning and noon. The major reason for this was mentioned to be pricing and that is the part of the day in which people are active. Evening callers were very minimal due to the pricing as well. Although the pricing at night is very low but still customers do not make more calls, and the reason for this being less family and friend who stay awake at that time.

#### 4.9.3 Who do you Call Most of the Time

**Table 4.16: More Call Destination**

Parameter	Percent
Friends/Relative	44%
Co worker	18%
Business call	38%

N = 120

**Source:** Research Data (2012)



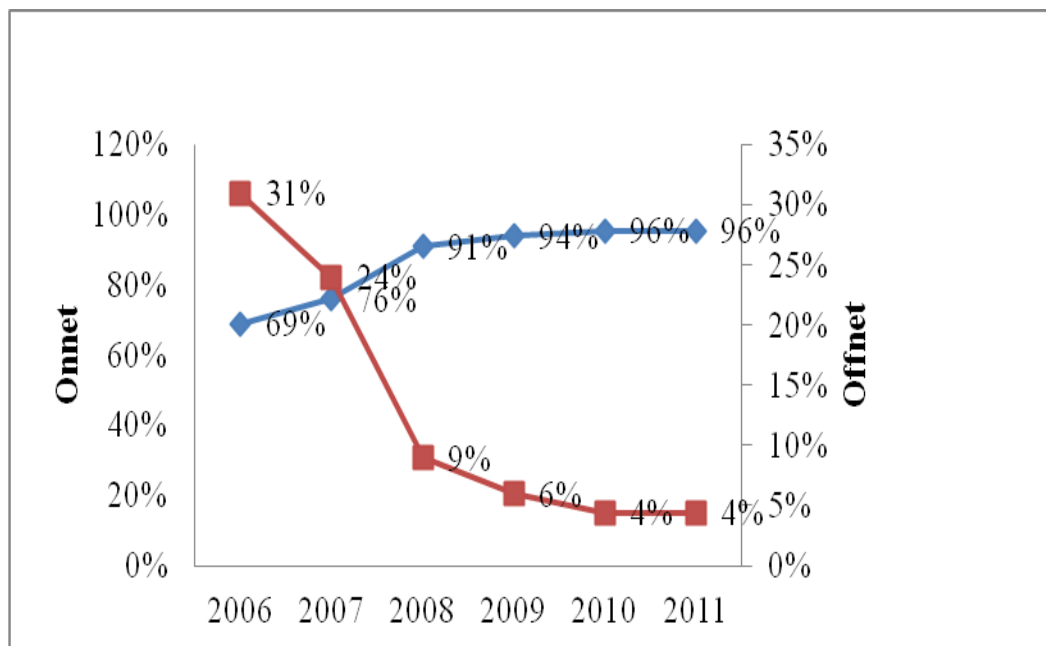
44% of the respondents make most of their call to family member and relative while 38% call more on business call. Only 18% of all the respondents have most of their call to co-worker.

#### 4.9.4 Tanzania Mobile Market Onnet and Offnet Traffic Ratio

**Table 4.17: Onnet and Offnet Traffic Contribution Trend**

Year	2006	2007	2008	2009	2010	2011
% onnet traffic	69%	76%	91%	94%	96%	96%
% offnet traffic	31%	24%	9%	6%	4%	4%

**Source:** Research Data (2012)



**Figure 4.10: Mobile Market Onnet and Offnet Traffic Ratio**

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)

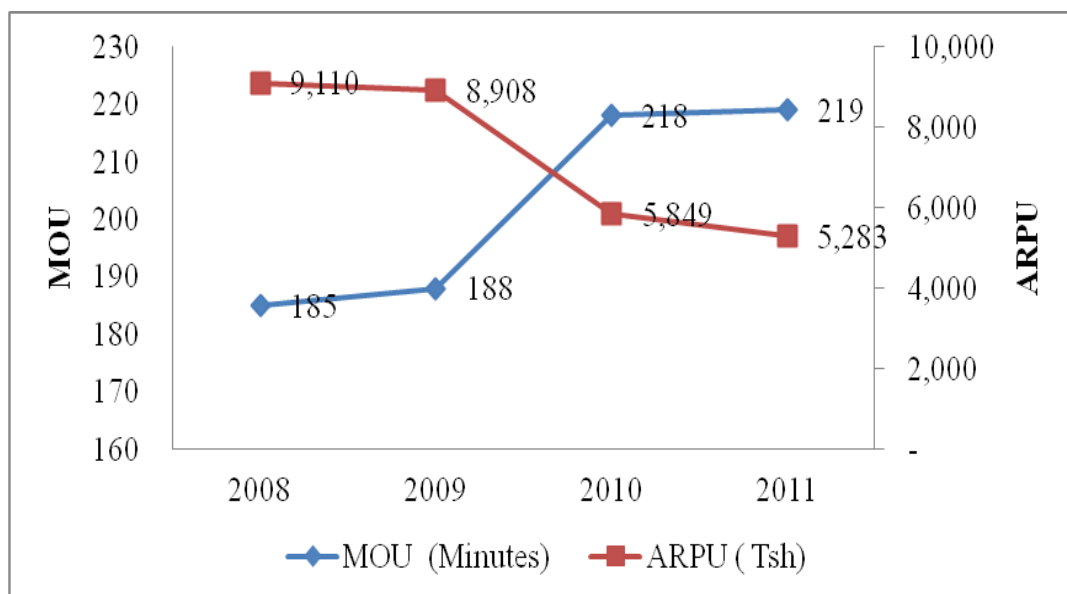
Looking at figure 4.9 above, there is a significant decline in of offnet traffic. In 2006 the onnet to offnet ratio was around 31% to 69% respectively. But from 2007 to there has been a gradual decline of the offnet traffic until it stabilize at 96% onnet traffic to 4% offnet traffic. The onnet community that was gradually created by several pricing interventions from 2007 account for this major decline in offnet traffic. The calling pattern has been shifted to less and less offnet calls.

#### 4.9.5 Tanzania Mobile Market ARPU and MOU

**Table 4.18: Relationships between ARPU and MOU**

Year	2008	2009	2010	2011
MOU (Minutes)	185	188	218	219
ARPU ( Tsh)	9,110	8,908	5,849	5,283

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)



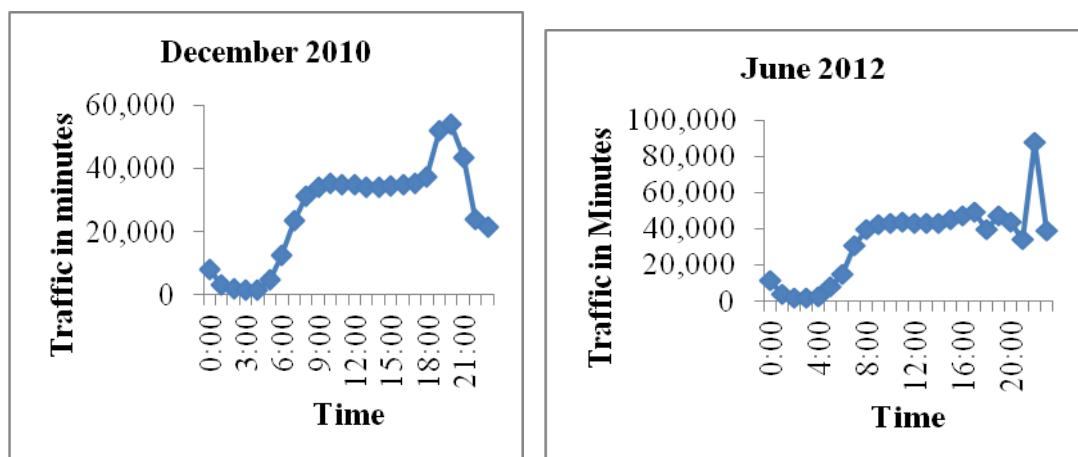
**Figure 4.11: Relationships between ARPU and MOU**

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)

The crossing in the two parameters (ARPU and MOU) is good evidence of the market that is characterized by multiple pricing. From 2009 to 2010, the ARPU went down while MOU went up and stabilize at these new positions. Once operators focus on multiple pricing consumers responded by changing their calling behavior and make most of their calls when the price is low, as a result the traffic went up because customers are making more calls but the ARPU decline because the calls are made during low price time slots. The two parameters will remain stable because consumers have already established their calling pattern unless there are new pricing interventions in the market that will disturb this position.

Multiple pricing was once an advantage to these operators especially Tigo because it helps them to grow, as it was early discussed, but it has turn out to be a killer considering the ARPU and Revenue decline that is observed.

#### 4.9.6 Airtel Peak Shift



**Figure 4.12: Airtel Peak Shift**

**Source:** Airtel Daily Traffic Report

Looking at the first graph for December 2010, the prevailing onnet tariff in this period was *Uhuru wa kuongea* where customers could make onnet calls at 1 Tsh per second within 24 hours. During period the traffic peak was around 20:00 hours because customers could make a call at their convenient time, 20:00 happen to be the time where majority of customers make calls. As more multiple pricing were introduced customers has to set their new peak, the prevailing onnet tariff in Airtel as of June 2012 allow customers to talk for 0.25 Tsh per second from 22:00 hours. Comparing these two graphs a change of peak is observed from 20:00 in 2010 to 22:00 in 2012.

This change in peak because of customer's change their calling pattern is a direct result in of multiple pricing.

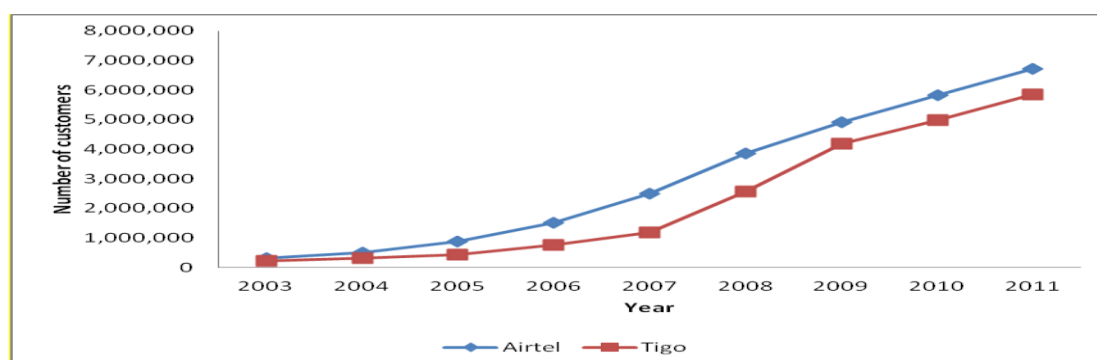
#### 4.10 The Role of Multiple Pricing in Organization Performance

##### 4.10.1 Tigo and Airtel Customer Evolution

**Table 4.19: Customer Evolution**

Cust omer num ber	YEA R	2003	2004	2005	2006	2007	2008	2009	2010	2011
	Airtel	320,000	504,000	882,693	1,516,832	2,505,546	3,862,371	4,910,359	5,821,091	6,703,418
	Tigo	210,000	303,000	422,500	760,874	1,191,678	2,569,527	4,178,089	4,977,510	5,850,766

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)



**Figure 4.13: Airtel and Tigo Customer Evolution**

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)

All the two operators show growth of customer's base since 2003. However, looking at figure 4.13 the growth for the two operators was slight before 2007, and a steep slope in the graph is observed from 2007 to 2009, there after the slope stabilize. So 2007 to 2009 were the years that the two operators had their maximum growth and for Tigo is even more because in 2008 Tigo double their customer base.

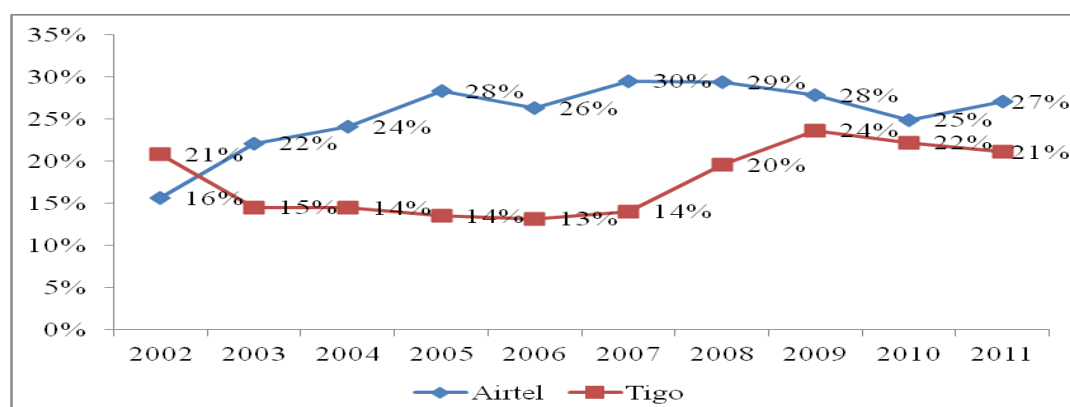
Going back to the previous findings, Multiple pricing was done strongly in 2007 and this can be directly associated to the growth that is being observed in this part. Tigo had more advantage because they had monopoly in most of the early multiple pricing initiatives but as we early note, later on customers get used to it and it was no longer a competitive advantage that's why there growth remain steady from 2010.

#### 4.10.2 Airtel and Tigo Customer Market Share Evolution

**Table 4.20: Market Share Evolution**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Airtel	16%	22%	24%	28%	26%	30%	29%	28%	25%	27%
Tigo	21%	15%	14%	14%	13%	14%	20%	24%	22%	21%

**Source:** [www.tcra.org.tz](http://www.tcra.org.tz)



**Figure 4.14: Airtel and Tigo Customer Market Share Evolution**

**Source:** www.tcra.org.tz

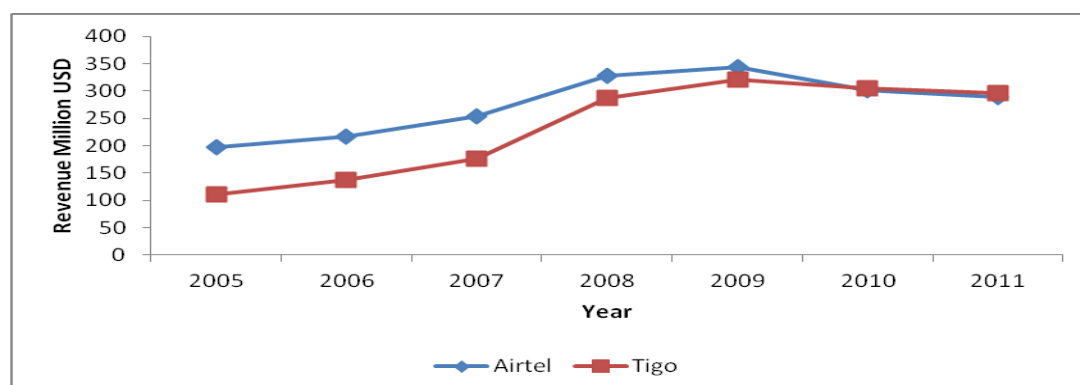
The findings in the section 4.7 are supported by the market share evolution. From 2007 to 2009, Tigo record highest market share evolution but decline there after supporting the above findings.

#### 4.10.3 Airtel and Tigo Revenue

**Table 4.21: Airtel and Tigo Revenue Trends**

Revenue \$ Million							
Year	2005	2006	2007	2008	2009	2010	2011
Airtel	197	217	253	328	344	301	289
Tigo	111	137	177	288	321	305	297

**Source:** Tigo Market Intelligence Database

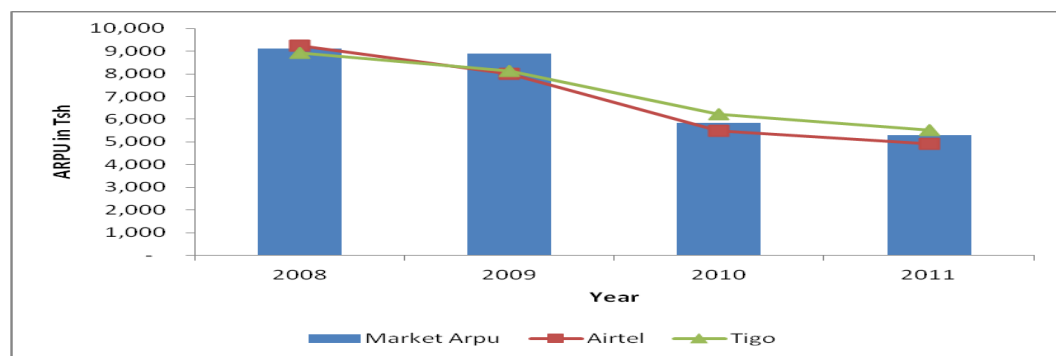


**Figure 4.15: Airtel and Tigo Revenue Trends**

**Source:** Tigo Market Intelligence Database

Revenue and shows more or less the same trends as customer's base, more growth especially for Tigo is observed between 2007 and 2009. What might be interesting phenomena in the revenue trends is the fact that although the two operators are all going down, Tigo is slightly ahead of Airtel regardless of low customer.

The answer to this misty is obtained in the Figure 4.16



**Figure 4.16: Airtel and Tigo ARPU Trends**

**Source:** Tigo Market Intelligence Database

Although there is a decline of ARPU from 2008, but from 2010 the Tigo ARPU is higher than Airtel and is even higher than the market average. This is because majority of Tigo customers who are multisimming are more connected to Tigo than to the other operator. This is proved by 48% of respondents who have both Airtel and Tigo line when they were asked on the operator that they use most often 71% said they are more with Tigo while only 29% mentioned Airtel. This means the 71% are still counted as Airtel customers but actually, they spend very little on Airtel as compared to Tigo.

## **CHAPTER FIVE**

### **5.0 CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The core objective of this study was to assess the impact of multiple pricing strategies on consumer purchasing behavior. This chapter will give a summary of the key findings from the study as well as providing the critical recommendation based on the findings. This chapter will also provide the implications of the study to Tanzania Telecom market.

#### **5.2 Summary of the Major Findings**

##### **(a) Strong Onnet Community**

There is a strong onnet community that has been created in the market and this has resulted into the decline in operator revenue because customers are calling more onnet and when the price is low.

##### **(b) Change in Key Driver to Purchase**

The key driver to for consumer to purchase a particular operator simcard have changed from pricing/affordability to the influence of family and friends, and this is also a result of multiple pricing because customer believes that affordability is within the strong family and friend's onnet community.

##### **(c) Loyalty is Low among Tigo Customer**

Majority of the Tigo respondents are not loyal but rather they stick to Tigo because they believe that most of their family and friends they are on Tigo and they are together enjoying the onnet effect.



#### **(d) Sustainability of Multiple Pricing Strategy**

The findings prove that multiple pricing is not a sustainable pricing strategy that operator can depend but it can be used as a transition when operator wants to influence customers behavior or used along with other loyal schemes.

#### **(e) Decline in ARPU While Increasing MOU**

Considering the ongoing multiple pricing, the research has proved a significant decline in ARPU while the MOU is going up. This is a result of more onnet calls and free minutes given as part of multiple pricing.

### **4.1 Conclusion**

With the interactive experiences, observations, Documentary reviews, interviews conducted and Questionnaire results, the researcher concludes that multiple pricing can play a significant role in influencing the consumers purchasing behavior especially in the initial stage of implementation or if a company is trying to penetrate the market. However, it is not a sustainable strategy that a company might rely for long-term results.

If the company needs to prosper this strategy can be used during initial stage or if the target is to changes consumer behavior and make them ready for introduction of new product or it can be used along with other pricing strategies or consumers loyalty schemes that will help the consumers to be more connected to the company by emotional attributes rather than physical attributes.

### **5.3 Recommendations**

#### **5.3.1 Operators Needs to Have Clear Pricing Strategies**

Based on the research findings it is clear that all the two operators do not have clear pricing strategies but rather they just formulate a tariff based on the current market need or to react on what has been done by other competitors in the market, Researcher recommends that it is important that both operator do decide on their short and long term pricing strategies based on research and rely on these strategies to achieve their targets.

#### **5.3.2 Operators Needs to Create a New Competitive Platform**

Both operators needs to come out with new value propositions that will give them more competitive advantage because affordability will soon cease to be an advantage and the multiple pricing that they have been doing has led to revenue erosion.

#### **5.3.3 Tigo Recommendations**

##### **(a) Building up From Where they are Strong**

Tigo needs to look for a way use the family and friends onnet community to stand for their advantage especially to increase ARPU. Innovative products can be introduced to make this group of customers talk more.

##### **(b) Increase their Customer Satisfaction in Other Parameters**

Majority of Tigo customers are not satisfied with most of the business parameters. This makes them vulnerable to other competitions if at all they manage to break the major entry barrier. Tigo needs to research and improve their customer's satisfaction.

### **5.3.4 Airtel Recommendations**

#### **(a) Breaking the Entry Barrier for Tigo**

The major entry barrier to Tigo is the strong family and friends onnet community that Tigo customers has, For Airtel to grow and opted among majority of customers they need to find a way to break this barrier. In addition, this will help Airtel increasing their ARPU because as of now they have customers who spends more on Tigo.

#### **(b) Maintaining their Customer Satisfaction on Other Parameters**

Majority of the Airtel customers are satisfied with most of the parameters, So Airtel need to understand the reason for this and maintain.

#### **(c) Capitalize on Wide Coverage Perception**

Majority of customers including Tigo customers believe that Airtel has the widest and stable network. Airtel needs to capitalize on this fact.

## **5.4 Implication of the Findings**

### **5.4.1 Managerial Implications**

Considering the fact that multiple pricing can change consumer behavior and the change can either bring positive or negative impact to the operator, it is important to have a clear understanding of what the operator want to achieve before implementing this strategy. Plan should be in place to ensure there is no revenue leakage and special loyalty schemes to ensure loyalty among customers is maintained. The regulator in this case TCRA needs to be strict and follow up closely to ensure there is fair implementation of the charges among the operators billing

systems. This is because in the multiple pricing dynamics majority of consumers do not have a clear understanding of the prices and they stand a great chance of being caught in a pricing package that they did not intend to subscribe.

#### **5.4.2 Consumer Implications**

Consumers need to make deliberate effort to understand the pricing dynamics. The findings prove poor understanding of the multiple pricing and for consumer this is such a huge disadvantage. To enjoy the benefit of the pricing dynamics consumers needs to understand what is exactly deducted from them at what time, understand the advantage of unlimited charging, and understand of the location-based billing and all the dynamics of multiple pricing. It is only when customers have full understanding will stand a chance to full benefit of the multiple pricing.

### **5.5 Research Limitations**

#### **(a) Confidentiality Constraints**

Confidentiality of some information objected the researcher from obtaining some vital information thus affect some findings.

#### **(b) Financial Constraints**

Financial constraint did not allow a researcher to select a big sample, as it would not be possible to buy enough materials to use to analyze data and data collection as well.

#### **(c) Time Constraints**

Time limitation to carry out a thoroughly and detailed research.

**(d) Language**

The official Research language was English and yet some respondents could not speak English, in this case, some questionnaires had to be translated to Kiswahili.

**5.6 Recommendations for Further Studies**

The researcher recommends more studies especially on the new strong onnet community that exists in this market, Operators needs to understand this community in order to break through. More research also needs to be done on other operators including Vodacom who is leading this market and Zantel who has recently record a significant growth.

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## APPENDICES

### QUESTIONNAIRE FOR CONSUMERS

#### INTRODUCTION

Do you have an active Mobile phone Number (Simcard)

Yes		No	
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NB: If NO active Simcard or not using the two operator , terminate interview

#### THE INTERVIEW

1. Which Mobile Operator (S) do you use.

Tigo	Airtel

2. Which operator do you use most of the time (**Ask only those with multiple Simcards**)

Tigo	Airtel

3. When did you start using the operator you use most often?

Time frame	Tigo	Airtel
< one year		
2-3 years		
> 3 years		

4. Please tel me the tariff charged by each operator as per your knowledge

Time band	Tigo	Airtel
Onnet		
Offnet		
Onnet ( night)		

5.What is your source of tarrif information? (one answer only)

TV	
Word of mouth	
Radio	
Print	
Other, mention	

6. When you think of making a call what do you consider most. ( one answer only)

Onnet/offnet call.	
Duration of the call	
Time of the day	
Other (mention)	



7. When you make a call who do you call most often? Three answers in order of priority.

Relatives	
Friends	
Co worker	
Business call	
Other, mention	

8. What time of the day do you do most of your calls, and why?

Morning	
Noon	
Evening	
Night	
Any time	

9. Have you note a change in the above trend for the past two years? If Yes how?

Yes		No	
-----	--	----	--

How?.....

10. Rate your satisfaction to each operator in the below parameters.  
( 1 highly satisfied, 2 moderate and 3 not satisfied)

Parameter	Tigo	Airtel
Pricing and affordability		
Customer care		
Distribution		
Network coverage and reliability		
Quality of services		

11. When you consider using a particular operator, what are your key driver for choosing operator?

Parameter	Respondents
Network coverage - quality and reliability	
Affordability	
Denominations / size of recharge voucher	
Off-peak rates and times	
Onnet rates	

Value added services	
Ease of use	
Ease of joining / subscription	
Availability of sales points	
Popularity / use by friends, family	
Special offer / promotion	
Community social responsibility	
Customer service	
Services and products offered	
Internet service	
International / roaming service	
Others	

**For those with more than one simcard**

12. Which operator did you decide to add recently?

Operator	Tigo	Airtel

13. Why this operator?

.....

14. Now having more than one simcard, do you still recharge the old simcard as it used to be?

.....

14. If you were told to own only one operator, who would it be and why?

Who .....

Why?.....

**QUESTIONNAIRE FOR OPERATORS**

Name of the organization.....

1. (a) How do you define your market segments?

a	Corporate
b	Corporate prepaid
c	Youth
d	Mass
e	Other

(b) What is your key focus segment?.....

2. Can I have the year trends on the below KPIs;

	2006	2007	2008	2009	2010	2011
Revenue						
Market share						
Subscriber base						
Onnet traffic %						
Multisimling						

3.(a) What are the key pricing strategies that you have once deploy?

*( More than answer is allowed).*

a	Penetrating price
b	Multiple pricing
c	Competitive pricing
d	Cost plus pricing
e	odd pricing
f	Premium pricing
g	other

(b) Which one was more succesful?

*( More than answer is allowed).*

a	Penetrating price
b	Multiple pricing
c	Competitive pricing
d	Cost plus pricing
e	odd pricing
f	Premium pricing
g	other

4 (a). I understand you are currently doing multiple pricing, do you think this strategy have impacts on your consumer behaviour?

*(If Yes go to Qn 4b, if No go to QN 5)*

Yes	
No	

4.(b) Explain the evidence and impacts of the customer behavioral change in your organization

(i) Evidence.....  
 .....  
 .....

(ii).....  
 .....  
 .....

5 (a) Looking at your voice tariff plan(s), do you think your customers have full understanding of the Plans?

Yes	
No	

5(b) Whether the answer is yes or No, what are the impacts to you as an organization?

.....  
 .....  
 .....

**For Tigo interviewee**

6. I understand you are price leader in this market, how does this benefit you as an operator?

.....  
 .....  
 .....

7. In one of your package you have a discount to offnet calls which are subjected to interconnect cost, how do you afford this?

.....  
 .....  
 .....